

# FAR EASTERN ECONOMIC REVIEW

Vol. XXI

Hongkong, November 22, 1956

No. 21

<b>An Exercise in the Computation of Hongkong's National Product</b> .... 645	<b>Japan</b>	Hongkong Textile Industry ..... 663
<b>Prospects for Order in the Near East</b> ..... 649	Japanese House Building and Modern Architecture ..... 654	Hongkong Notes and Reports .... 667
<b>China</b>	Economic Letter from Tokyo .... 656	Hongkong Statistical Reports .... 669
Leftist Conservatism in Chinese Transformation ..... 650	<b>Singapore</b>	Hongkong Shipping and Aviation 671
On Organising Literary Creativeness ..... 651	Developments in Singapore ..... 657	<b>Finance &amp; Commerce</b>
China's Farm Cooperatives ..... 653	Chinese Students of Singapore .. 660	Hongkong Stock and Share Market ..... 672
	<b>Philippines</b>	Hongkong Exchange Markets ... 673
	Economic Letter from Manila .... 660	Singapore Share Market ..... 674
	<b>Hongkong</b>	Hongkong and Far Eastern Trade Reports ..... 674
	The Rubber Industry of Hongkong ..... 661	

## AN EXERCISE IN THE COMPUTATION OF HONGKONG'S NATIONAL PRODUCT

By Edward Szczepanik

(Lecturer in Economics, University of Hongkong)

### I. INTRODUCTION

The use of social accounting for public and private economic planning is becoming increasingly popular all over the world, yet in Hongkong it is almost unknown. The Government does not attempt to provide any estimates of the national output, income or expenditures and so far none of the private economic institutions ventured to explore this field within a market research programme. Two years ago, in collaboration with Mr. Ronald Ma, we produced the first estimates of the Colony's national income for the years 1947-1950. The results of our analysis were announced in 1955 in a book published by the University of Hongkong<sup>1</sup>. Last year, using the same method with slight modifications, I extended this analysis to cover the period 1950-1953 and the summary data were subsequently published in the Economic Survey of Asia and the Far East, 1955 and then reproduced in the Statistics

of National Income and Expenditure published by the Statistical Office of the United Nations in May 1956.

In this article an attempt will be made to present the first, preliminary estimate of the value and composition of Hongkong's net domestic product. The following data refer to the annual flow of wealth and its sources in 1954/55. In this analysis I had to rely, of course, on previous research mentioned above. Most of the factual data are based on the official Government Departmental Reports for 1954/55. In addition, I have utilized in this study the results of the sample survey of the Colony's population carried out by me in 1954 in the capacity of the statistical consultant of the United Nations Refugee Survey Mission headed by Dr. E. Hambro<sup>2</sup>. Finally, I had at my disposal the results of the cost of living survey carried out by me with the aid of my students in December 1955.<sup>3</sup> All these and other available materials are still insufficient to arrive at the national output estimates which would not rely on any guesswork. Such guesswork in this analysis was still, unfortunately,

This is the eighth article in the series of Mr. Szczepanik's Studies in the Economic Structure of Hongkong. Cf. this Review of October 28th, November 11th and December 16th 1954; July 17th, September 29th and December 29th 1955; and July 5th 1956.

1. R. A. Ma and E. F. Szczepanik: The National Income of Hongkong, 1947-1950; Hongkong University Press, 1955.

2. Cf. E. Hambro: The Problem of Chinese Refugee in Hongkong; Leyden (Holland) 1955.

3. Cf. E. F. Szczepanik: The Cost of Living in Hongkong; Hongkong University Press 1956.



unavoidable and I should like to emphasize this feature.

II. COMPONENT PARTS OF THE NET DOMESTIC PRODUCT

In conformity with the United Nations statistical procedure, Net Domestic Product of a country is defined as the aggregate composed of the following items:

(1) Agriculture, forestry, fishing. (2) Mining. (3) Manufacturing. (4) Construction. (5) Transportation, communication, utilities. (6) Wholesale and retail trade. (7) Ownership of dwellings. (8) Public administration and defence. (9) Other services.

The following notes show the way in which it is possible to estimate the value of these nine elements of the Colony's national product in 1954/55.

1. Agriculture, forestry, fishing<sup>4</sup>

Agriculture:	HK\$ Million
Rice (17,600 tons at \$1,000 per ton)	17.6
Vegetables (62,000 tons)	18.2
Fruit (estimated value of output from 952 acres under orchards)	5.0
Export crops (water chestnuts, Chinese turnips, ginger, lychees, etc.—total 2,597 tons)	1.3
Cattle slaughtered and sold	0.5
Pigs sold for slaughter	12.0
Poultry	6.0
Ducks	1.4
Dairying	7.4
Total agriculture	69.4
Forestry	0.1
Fishing:	
Fresh fish (35,003 tons)	34.6
Salt/Dried fish (5,871 tons)	4.8
Freshwater (pond) fish (345 tons)	1.0
Oyster culture:	
Fresh oyster meat ..	\$1,730,050
Dried oysters	1,966,800
Oyster juice	891,250
	4.6
Shrimps and fish fry	0.2
Total fishing	45.2
Total agriculture, forestry, fishing	114.7

Rounded figure for further calculations: HK\$115 million.

In the above estimate no allowance was made for subsistence farming and fishing because the analysis showed that this item is roughly balanced by the productive purchases from other sectors of the economy, and in this way double-counting can be avoided.

2. Mining<sup>5</sup>

	Production (tons)	Value HK\$
Iron	115,500	4,620,000
Clay	5,432	325,920
Graphite	1,535	121,076
Quartz & Feldspar	693	20,790
Lead	385	326,995
Wolfram	23	154,650
Beryl	1	2,000
Molybdenum	0.02	142
Total		5,771,573

Rounded figure for further calculations: HK\$6 million.

3. Manufacturing

Calculation of the value of manufacturing output is much more difficult than the computation of the value of the product of the primary industries. Rough estimate, however, can be obtained in the following way:

The total value of Hongkong's products exported abroad in 1955 was HK\$730 million. As it is generally assumed that about 50% of local products are exported, the total value of Hongkong's manufacturing output can be placed at about HK\$1,460 million in 1955. Assuming further that the cost of imported raw materials constitutes about 30% of the total value of output, domestic value added in 1954/55 could be placed at approximately HK\$1,000 million.

The above result can be checked in the following way:

The labour force employed in the manufacturing industries is estimated at about 325,000. The University Cost of Living Survey of December 1955 produced HK\$213 as the monthly wage-income which, with one extra monthly pay as the Chinese New Year bonus, gives HK\$2,769 per annum per worker and about HK\$900 million as the total wage-bill in the manufacturing industry. This would constitute about 60% of the total value of manufacturing output. It seems reasonable to assume that the remaining 40% is distributed as follows: profits (gross)—10%, imported raw materials—30%.

More accurate estimate of the value of manufacturing output would require a very detailed analysis of productive returns of manufacturing enterprises which, with available statistics, is impossible.

4. Construction

Computation of this item is based on the official Government reports.

	HK\$ Million
Total cost of private building work in 1954/55	90.1
Government (Public Works Department)	60.5
Total	150.6
Less depreciation	25.0
Net construction	125.0

Rounded figure for further calculations: HK\$125 million.

4. Source: Report of the Director of Agriculture, Fisheries and Forestry for 1954/55.

5. Source: Hongkong Government Annual Report, 1955.

**5. Transportation, Communication, Utilities**

This, again, is an item which presents great difficulties which, however, can be overcome in the following way:

**Transportation:** HK\$ Million

Buses, trams, ferries	
Profits (estimated on the basis of royalties paid to the Government at the rate of 25% of net profits)	45.0
Wage-bill (about 5,000 workers)	14.0

Total ..... 59.0

Public lorries, taxis and rickshaws	
Wage-bill (about 5,000 workers)	14.0
Profits (on about 2,000 vehicles at \$1,000 per month)	24.0

Total ..... 38.0

Airways (an estimate based on about 700 employees)	2.0
--	-----

**Shipping<sup>6</sup>**

Wage-bill of about 3,500 employees on sea-going vessels registered in Hongkong	12.0
Profits of these 100 vessels calculated on the basis of wage-bill	24.0

Total ..... 36.0

Wage-bill of about 2,200 employees on non-sea going ships registered in Hongkong	5.0
--	-----

Profits of these 366 vessels calculated on the basis of wage-bill	10.0
---	------

Total ..... 15.0

Wage-bill of Hongkong crews (about 2,000) employed on foreign ships	5.0
---	-----

Wage-bill and profits of about 20,000 miscellaneous licensed small junks and harbour boats	40.0
--	------

Kowloon-Canton Railway	8.0
------------------------	-----

Total transportation ..... 203.0

**Communication:**

Post Office (Government figure)	12.2
Telephones and cables (estimate)	10.0
Radio (Government figure)	0.8
Rediffusion (estimate)	2.0

Total communication ..... 25.0

**Utilities:**

Electricity (500 m KWH)	50.0
Gas (584 m cubic feet)	5.0
Water (Government figure)	7.8

Total utilities ..... 62.8

Total transportation, communication, utilities ..... 290.8

Rounded figure used for further calculations: HK\$290 million.

6. Employment figures for shipping were obtained directly from the Marine Dept. for which I should like to express here my thanks.

**6. Wholesale and retail trade**

This is another item the estimate of which is extremely difficult. This item can be divided into entrepot trade and internal trade. The total value of entrepot trade in 1955 can be calculated as follows:—

	HK\$ Million
* Total value of exports	2,534
Value of exports of Hongkong products	730
Value of entrepot trade	1,804

The average gross-earnings in entrepot trade were calculated by me elsewhere<sup>7</sup> at 17%. This would give the value of earnings from entrepot trade in the period under examination as equal to about HK\$300 million.

As the total number of persons employed in the wholesale and retail trade was estimated at 120,000, their total wage-bill can be estimated at about HK\$360 million. With profits, total net added value would come to about 400 million. If earnings in entrepot trade amounted to HK\$300 million, the net-added value of internal trade may be estimated at HK\$100 million. These figures are in fact nothing but guesswork. They are perhaps rather too low than too high and the upper limit of the total item may be even as high as HK\$500 million.

**7. Ownership of dwellings**

According to the official estimates made for taxation purposes, on 1st April 1955 the value of house-rents amounted to HK\$256,724,702. We shall thus take for further calculation the rounded figure of HK\$257 million.

**8. Public Administration and Defence**

This item can be placed at HK\$300 million, with Defence taking approximately 10% of this item sum.

Total Government expenditures in 1954/55 amounted to HK\$372 million. From this figure we have to deduct the value of Public Works already included in item 4, and of Public Transport, Communication and Utilities already included in item 5.

**9. Other Services**

The total value of this item is estimated at HK\$500 million composed as follows:—

	HK\$ million
(i) Banking, insurance, storing and warehousing	210
(ii) Professions	120
(iii) Entertainment	100
(iv) Domestic servants	60
(v) Miscellaneous services	20
Total	510

The above estimates are again largely a matter of guesswork based on scanty available data concerning profits and the number of employees.

As far as banking is concerned, estimate was arrived in the light of profits made in 1954/55 by the "Big Four" banks, which were:

	HK\$ million
— Hongkong & Shanghai Banking Corporation	20.0
— Chartered Bank of India etc.	11.5
— Bank of East Asia	4.7
— Mercantile Bank of India	3.2

7. The Gains of Entrepot Trade—Far Eastern Economic Review, December, 16th, 1954.



Part of these profits arose outside the Colony. As there are about 90 smaller banks in Hongkong, the total net-added value of banking can be placed at about HK\$100 million. Various investment houses, money lenders etc. account probably for about HK\$50 million, and insurance, storing and ware-housing enterprises may together account for approximately 60 million,<sup>8</sup> thus making a total of about 210 million dollars.

The estimates concerning the national product generated by professions, entertainment, domestic servants and miscellaneous services are based on the national income analysis carried out in separate studies.

### III. SUMMARY AND CONCLUSIONS

Adding up items 1-9, the following picture will be obtained:

	HK\$ million
1. Agriculture, forestry, fishing ..	115
2. Mining .....	6
3. Manufacturing .....	1,000
4. Construction .....	125
5. Transportation, Communica- tion, Utilities .....	290
6. Wholesale and Retail Trade ..	400
7. Ownership of dwellings .....	257
8. Public Administration and Defence .....	300
9. Other services .....	510
Total .....	3,003

With all due reservations concerning the validity and accuracy of the above estimates, we may tentatively suggest that the national product of Hongkong in 1954/55 was about HK\$3,000 million. This figure is put forward as a trial-estimate which should be checked and revised in the light of previous and subsequent analysis.

The best immediate check of the accuracy of national product estimates is the equation:

Net Domestic Product at Factor Cost + Net Factor Income from Abroad = National Income at Factor Cost, or:

Net Domestic Product at Factor Cost = National Income at Factor Cost + Net Factor Income paid Abroad.

National Income at Factor Cost and Net Factor Income paid Abroad were calculated elsewhere<sup>9</sup> as follows: (HK\$ million)—

	National Income at Factor Cost	Net Income Paid Abroad	Net Domestic Product at Factor Cost
1947/48	1,544	20	1,564
1948/49	1,740	35	1,775
1949/50	2,275	55	2,330

For subsequent years, calculations of Net Income paid Abroad (or received from abroad) have not yet been made. The following figures, however, were obtained with respect to the national income including payments abroad (or received from abroad):<sup>10</sup>

	HK\$ million
1950/51 .....	2,789
1951/52 .....	2,780
1952/53 .....	2,651

Thus the growth of Net Domestic Product at Factor Cost over the period 1947-1955 can be illustrated by the following series:

	HK\$ million	
1947/48	1,564	} Calculated by income method
1948/49	1,775	
1949/50	2,330	
1950/51	2,789	
1951/52	2,780	
1952/53	2,651	} Estimate based on the as- sumption that National Income in 1953/54 was the same as in 1952/53.
1953/54	2,650	
1954/55	3,000	— Present estimate obtained by output method.

It seems that our tentative estimate of the net domestic product at about 3,000 million dollars for 1954/55 fits well with the above presented series. The recent growth in the Colony's national income is also confirmed by the rise in the value and volume of external trade<sup>11</sup>:

	Value index	Volume index
	(1948 = 100)	
1954 .....	160	126
1955 .....	171	144

Additionally, we may take into account the rate of capital formation. In 1954/55 net capital formation was estimated to be HK\$270 million<sup>12</sup>. Previous study of national income has shown that the rate of net capital formation in Hongkong is about 9% of National Income<sup>13</sup>. As this rate reflects a fairly stable propensity of the community, it appears that the estimate of national income of the Colony at the figure around HK\$3,000 million in 1954/55 is a reasonable one. This conclusion should also inspire us with greater confidence in the follow-

10. Cf. Economic Survey of Asia and the Far East, 1955—estimates supplied by me at the request of ECAFE.

11. Cf. my article on "Postwar Changes in Hongkong's Trade"—Trade Bulletin, Hongkong, July 1956.

12. Retained imports of capital goods amounted to about HK\$145 million and net private and public construction—HK\$125 million.

13. Cf. The National Income of Hongkong, 1947-1950, p. 56.

8. Calculated as about 1% of the total value of external trade.

9. Cf. R. A. Ma & E. F. Szczepanik: The National Income of Hongkong, 1947-1950.



## PROSPECTS FOR ORDER IN THE NEAR EAST

The tide of opinion and emotion in Britain has turned. The Prime Minister now has the backing of the majority of the people who are seeing the events in Eden's light. The Leader of the Opposition complained that Sir Anthony Eden is now getting the credit for stopping a major war; while many people dislike Nasser and the Egyptians generally, the public had reacted strongly to the threat of Russian intervention. He urged the Labourites to keep up their attacks but the Labour M.P.'s find that their constituents look askance at these tactics and are showing hostility to re-treating in the face of Russian threats, particularly in the light of the situation in Hungary. There is also deep resentment that the Socialists should have sustained their attacks on the Government "while our boys were going into action." The opposition are in fact now in confusion, and the small but compact British Communist Party in virtual rebellion. As the Opposition manoeuvres to take up a less unpopular attitude, the Conservatives are hardening their standpoint.

The surgical operation at Port Said brought the U.N. effectively into the Middle East, and may have saved the region from the holocaust of a new war. What would be the situation now if Israel and Egypt had been left to fight it out? No U.N. resolution would have stopped such a conflict, and almost certain Jordan and Syria would have joined in. Russia has been seeking a dominant influence in the Middle East and the huge supply of Communist arms to Egypt would no doubt—and may still be—backed up by "volunteers." The Canal is out of action by Nasser's malicious folly. It would have been destroyed had there been no cease fire. In short, the Anglo-French offer to hand over to the U.N. Forces established the nature of their motives in the intervention, and opened the way for effective U.N. action and a constructive settlement in the Middle East. The developments since the cease fire—notably the attitude of the Soviet Government—reveal what inflammatory motives there were and how narrowly catastrophe was averted by the Anglo-French intervention.

Many find it very difficult to accept the criticism of the British Government's action in the Middle East on grounds of conscience and morality, however much it may have been criticised on political and strategic grounds. So far the action has reduced, if it has not altogether prevented, what would otherwise have been slaughter on a vast scale to a mere fraction of such casualties. Most of the critics on the ground of conscience have openly accepted the arbitra-

ment of force and the pacts of power as the basis of world politics or by conniving at it and condoning its results have deprived themselves of any right to use moral arguments. The Socialists who shouted themselves hoarse in the House of Commons have to be reminded that Poland, Hungary and the Baltic States were crushed ten years ago, not yesterday. Their fate has been forgotten or ignored by many of those nations and politicians now most vocal in moral support of a less worthy cause. Mr. Charles Wilson correctly stated, "this eclectic morality simply will not do. You cannot tune conscience in to some wavelengths and not others. Nor can the United Nations claim any greater measure of practical achievement or moral superiority. What should be the means of mitigating the dangers of nationalism has allowed itself to be manoeuvred into inciting the excesses of the new nationalisms and encouraging the worship of national sovereignty, while it has too often denied the legitimacy of established interests and undermined the sanctity of contract and treaty. By blindly preferring the claims of national sovereignty over those of real justice liberals have found themselves championing a de facto military dictator whose only claim to represent Egypt rests on the forcible seizure of power and the suppression of established forms of government."

The immediately urgent need in so dangerous a situation is to re-establish the English-speaking union in the obstinate confidence that here lies the only hope of peace, liberty and justice. Somehow it must be proved to the newer nationalities that their best future lies in a free and genuine partnership with the West for economic development and social welfare—a partnership based on political and economic realism and a fair and just recognition of the interests and needs of both partners.

The policy followed by the British and French Governments in regard to Suez—whatever view we take of its justification—has evidently failed to attain its object, i.e., the continued working of the Suez Canal and the uninterrupted supply of oil to western Europe. The canal is likely to be blocked for months, and the supply of oil from many of the Arab countries has been stopped at the source or in the pipeline. We have reached a point in which we cannot go forward without risking a world war and we cannot easily go back. What then should be done? This is not the time for recrimination: what we need is a practical solution. If we want to get the Suez Canal working again, surely the first step is to separate the question of its organization from the wider question of a settlement of Israel-Arab relations. The Suez Canal question is now relatively simple—in a few days the Security Council reached agreement on six points which constitute the essential basis of any settlement:—

- (1) Free transit without discrimination of any kind;
- (2) respect for Egyptian sovereignty;
- (3) operation of the canal to be insulated from politics;
- (4) tolls and charges to be fixed by agreement between Egypt and the users;
- (5) a fair proportion of the dues to be allotted to development;
- (6) disputes between the Suez Canal Company and Egypt to be settled by arbitration.

These agreed principles are still waiting to be implemented. Is it not possible, through the good offices of the Swiss Government, to arrange that a meeting should be convened urgently of qualified experts of, say, Britain, France, Egypt, the United States, and India to sit down and work out a detailed agreement on the basis of these six principles? It should be a business meeting, not con-

ing percentual distribution of the Colony's national product according to its origin:

—Agriculture, forestry, fishing . . . .	3.8%
—Mining . . . . .	0.2%
—Manufacturing . . . . .	33.3%
—Construction . . . . .	4.2%
—Transportation, communication, utilities . . . . .	9.7%
—Wholesale and retail trade . . . . .	13.3%
—Ownership of dwellings . . . . .	8.6%
—Public administration and defence . . . . .	10.0%
—Other services . . . . .	17.0%
	<hr/> 100.0%



## LEFTIST CONSERVATISM IN CHINESE TRANSFORMATION

An important Directive by the State Council in Peking carried the so-called transformation of private industry and commerce a stage further. It says that on the whole production and management of the joint enterprises are proceeding normally, and being "continually improved," but in many areas confusion had set in, and many questions still remain to be solved. On these the directive gives the necessary guidance. The arrangements stipulated in regard to the small traders and pedlars correspond to indications previously made in the official Press. Handicraft producer co-ops, transport co-ops and co-operative stores are dealt with in the second section of the directive. It says that members of handicraft and transport co-ops should not have their incomes reduced and efforts are to be exerted on the basis of improved production and management, to increase their incomes. The same principle is applied to the personnel of the co-op stores. None may be forced to withdraw from the co-ops, but will be allowed to do so if they desire if their income drops or they face livelihood difficulties. And when they withdraw their share investments are to be refunded to them. The products of a handicraft producer co-op which have a local market may be sold directly, but they must be subject to market control in the matter of prices. Products which are marketed in distant areas should be purchased, on a selective basis,

by State-owned commerce or the supply and marketing co-ops, or marketed by the producer co-op itself. The organisational form of transport co-ops need not be standardised. Wooden junks and wagons are not to be forcibly organised into co-ops with no payment of dividend. To meet the demands of members, co-operative groups may also be formed with the unified distribution of loads, unified freight charges, unified control and also with a common reserve.

The third section deals with the appropriate solution of questions affecting small owners. It tells how to deal with buildings of a private enterprise which serve both as a shop and a home, or as residence and factory, in which the views of the owners will be dominant. A small owner with a junk or motor-truck will follow the destiny of his vehicle if transferred to another area. It also prescribes measures for the handling of all the assets of small owners and says that a small owner may serve as a director, supervisor, or other position in leadership posts in a handicraft or transport co-op, if the assets he throws in exceed the value of his due share of capital investment. His wages are to be assessed in accordance with his technical level. Handicraft small owners with technical attainments are to be encouraged to take disciples and are to be given appropriate bonuses.

cerned with politics but directed to securing the application of these principles in such a way as to get the canal working again as quickly as possible.

A settlement of the Suez Canal question has to be reached by negotiation, not by coercion: why delay the process and accentuate the present tension? It would require some moral courage on the part of the Government to adopt this course, but surely they have the courage to face facts and recognize that the national interests require them to take the initiative in ending the present deadlock. It would involve the evacuation of Port Said by British troops as soon as the United Nations police force arrives, but, as the Israelis have now agreed to withdraw from Sinai, the presence of British troops cannot be said to be necessary to separate the combatants.

Once the question of the canal had been cleared up we could then join, more impartially and in accord with our allies and the other members of the United Nations, in the protracted negotiations which will be needed to settle the complicated Israel-Arab question—involving as it does not only the immediate question of the frontiers but the future of the refugees and the relaxation of trade barriers within the region.

Finally, when the dust has settled, emotions are a little less rampant and logic takes its place, the way will be clear for the long-term plan for economic aid and advancement to the whole of the Middle East—a Colombo Plan for that area aimed at removing the gross inequalities of fantastic riches and grinding poverty which form so menacing a contrast there today, with the pooling of oil royalties as one of the main ideas, peace between the Arab States and Israel and the restoration of concord between the Muslim and Christian peoples in Europe and the Near East. There is no other way out than this to salvation: all others lead to destruction.

The more important section deal with fixed interest on private shares in joint enterprises, wages and welfare amenities to workers, the reorganisation of enterprises, and personnel arrangements. A unified interest rate of 5% p.a. is payable to households entitled to fixed interest payments in joint enterprises throughout the country, irrespective of industrial or commercial enterprises, irrespective of the sizes of enterprises, irrespective of profits being made or losses incurred, irrespective of localities, irrespective of trades, and irrespective of whether they are newly converted or old converted joint enterprises. Individual enterprises may raise the interest rate to more than 5% should they consider the need to do so. As to joint enterprises which have long since enforced the fixed interest system, should the rate formerly exceed 5%, it will not be lowered; but should it be less than 5%, it will be raised to that figure. Interest on private holdings for the first and second quarters of the year is payable in July and August. All problems arising are to be settled by regular meetings of all parties concerned—the State department, the representatives of private shareholders, and by separate meetings of leadership personnel in control of industry and commerce and joint meetings with representatives of the local federations of industry, guilds, etc. Committees are also to be organised under the auspices of the leadership officials on which the workers, shop assistants, and of private interests are to be represented.

Wages are not to be lowered under joint ownership, and where they are actually lower than the rates in State enterprises, they are to be raised accordingly. Safety and health measures are to be improved and where labour insurance does not exist a Joint enterprise must be responsible for medical expenses during illness and for wages during the period of sick leave.

The reorganisation of enterprises, says the Directive, must be carried out with due care, and here again frequent consultation between all concerned is laid down. The or-



organisational form of an enterprise "must be in keeping with the needs of production." The Directive also lays down broad directions for the readjustment of relationships within and between enterprises in the light of custom and experience to overcome the "man-made state of disintegration." Industrial, handicraft and commercial enterprises are embraced in this provision and another office of the State Council is charged with the solution of problems affecting the relations between rural handicraftsmen and the agricultural co-ops, between rural handicrafts and sideline production in the market towns. The principle of using people according to talent is emphasised, as is the need for giving all proper care in the case of all the employees of private enterprise; and where former provisions made for members of the private side are now considered inappropriate (in the more liberal setting) they are to be reviewed and adjusted.

The rational spirit which the directive bespeaks may be regarded as typical of the whole spirit now informing the administration from the Prime Minister downward. It is in many ways emphasised by an editorial in the People's Daily which anticipated the directive. It is no small thing for a bureaucracy to take over, on top of its multifarious duties which in a Socialist State like China, continually accumulate, the whole industry and commerce of a great nation. It is indeed a frightening thing, for during the past generation the prestige of Chinese industrialists and businessmen had risen in inverse ratio to the fall of the prestige of the politicians and Government officials. Businessmen were a success in spite of the officials, who did nothing to help and much to hinder. Peking was therefore most sensible on insisting that the businesses be managed by the same personnel as before and that final reorganisation must be done with great care and patience. Those who leapt into the fray and made a mess of things were immediately rebuked and warned off.

The Peking editorial indeed rubs this in when insisting on the exercise of the utmost care, "after good preparation, in measured steps, in different stages and in different groups," in carrying out the economic reorganisation of joint enterprises. It warned against the ideology of the large-scale merger of factories. The "superiority of Socialist industry," it was asserted, is first reflected in the raising of output and quality and the raising of labour productivity rather than in concentrating factories for large-scale production. Economic reorganisation is a means to the raising of production, not its end. If, with conditions still unripe, the Government blindly concentrated factories without being able to raise production, why should it waste so much time and effort to undertake the task so reluctantly? Some Party folk started simply from the idea of management, and hold that concentration will facilitate management. Management serves production, and if this is

sought to the point of bringing confusion to production, the measure would be a mistaken one. The blind concentrated merger of factories would only lead to confusion, and not to the facilitation of management. A mere concentration of out-dated equipment would not really lead to the object of expansion of production.

Some of the party zealots look with disgust at the smaller, dirty, poorly equipped shacks called factories and regard them as "broken-down stalls without potentials to be unearthed." But every bit of equipment is needed in China at present and looks and show are not necessarily an aid to production. Large-scale production is built on the foundation of modern techniques, and the mere concentration of outdated equipment would lead to expansion of production. Other Party workers fear that if economic reorganisation is not carried out soon the Socialist activeness of the cadres and the masses will be impaired. It is confusion that may discourage the masses, and that is what blind mergers produce. The policy therefore for the present is to let the major portion of transformed industry alone. Adjustments must begin with the minor portion, which can usefully be merged. Generally speaking, more are to be merged in the larger cities, less in the medium cities, and none at all basically in the county and smaller areas. Most of these have been developed in meeting the special needs of rural economy. The conditions of the medium and small factories anyway are very complicated. Uniformity must absolutely be avoided in handling them. Different measures have to be applied to factories of different categories, different scales and different characteristics. And even where concentration is practicable, special attention is urged to the retention of the names of well-known factories, well-known brands, special designs suited to the needs of the people, traditions of excellent work, and special products, as well as the retail systems which facilitate the masses, and the excellent production and management systems (developed as capitalistic enterprises!).

The higher officials are, in fact, still scared stiff about making the transformation effective and meddling too drastically with joint enterprises now that the Socialistic principle has been satisfied. Economic reorganisation, the People's Daily repeats, is a very complicated and intensive task. To carry it out with proper leadership and measured steps, overall plans for the whole year are required to be drawn up in all areas, so as to provide for the work to be carried out in different groups and in different stages. Concrete plans have to be drawn up for each industry, so that before the reorganisation, preparatory work can be carried out in ideological, organisational, production, personnel arrangements and living welfare fields. The plans must be examined and approved by the competent leadership organs, and all methods of blind development, hastiness, lack of organisation, and lack of discipline must be opposed.

## ON ORGANISING LITERARY CREATIVENESS

Everything, it seems, must conform to the "high tide" in China. If there is a tidal wave of agricultural co-operativization and of transformation of private industry and commerce, there must also be a tidal wave of literary output after the vast spate of borrowed and translated output from the great international Communist galaxy from Marx to Stalin which engulfed the literate public. Now they demand something different—something very different. They will not get it quite—but they will get an

instalment of more readable stuff. The Writers' Union has formulated a Work Programme to cover the whole of the 12 years of the national plans, from now till the end of 1967. The Literary Gazette (Wen Yi Pao) called all the writers to attention, gave them the general order of battle, warned them against bourgeois ideology and the tendency to be divorced from Socialist realism, and told them to strive to expand the ranks manifold, create a large quantity—the precise figures of words, pages and volumes are withheld—



of literary works which are worthy of the people and of the age, to educate the people with the spirit of Socialism, and assist in the promotion of the complete victory of the Socialist cause.

This was too narrow a definition to be tolerated by the writers anxious to obey Mao Tse-tung and ensure that all the flowers should bloom in the new springtime, *tra-la*; and as a result of a later national conference of the intellectuals it was agreed that while realism was always Socialist realism, writers might approach that temple in their own way and their own gait. The plan as laid down called for an organisation of writers for the creation of literary works which reflect the revolutionary history of the country and the current great struggle. They are to take every form and every variety of literary style, from film scripts and feature articles to stage plays and songs—with special attention to the development of comedies and satirical works—though obviously the artists will have to be very careful whom they satirise.

Professional writers are to be promoted and given all necessary official facilities to penetrate to the life of the masses and continually to carry out creative labour. The bureaucrats in the organs of the Writers Union will themselves be freed every now and then from their desks to go out and create, as well as the staffs of the official newspapers. Of course, all will be assisted to raise their theoretical attainments in Marxism-Leninism, but they will be given five years to know all there is to know about this. And they also must be schooled in the policies of the Party and the State. Clearly they have to do a lot of schooling before they are equipped to bring forth their blooms. They will also be expected to have countless meetings and conferences under the aegis of the Creative Work Committee of the Union and when they can break away there will be magnificently equipped libraries of Chinese and foreign classical works, literary, historical, and scientific, available. At the beginning of each year, the Union of Chinese Writers will compile separately selected works published during the previous year in the fields of poetry, short stories, essays and feature articles, political dissertations, one-act plays, children's literature, theoretical literary studies, and critical essays. These selected volumes will then be published.

The organisation of literature is being undertaken, clearly, like everything else in the so-called "Chinese" People's Republic, on the closest imitation of the advanced experiences of the Soviet Union, whose productive value, unhappily, was utterly negligible in comparison with the great works of the unorganised and purely individualist output of the famous pre-revolutionary writers, from the poet Pushkin to Dostrievsky and Tolstoy. Of course, forces will be organised for the systematic study of the works of Lu Hsun "and other important writers"—they are not named because they are nameless and do not exist—after the May 4 movement. But the directive does call for the study of important Chinese writers who may come after as well as for the complete translation of the "aesthetic works" of Marxism-Leninism. The ranks of literary theorists and critics must be expanded and the magazine "Literary Studies" made a national quarterly. The Youth League is to be assisted to form teams of literary workers and lovers throughout the various State organs and schools. Work committees for young writers, correspondents for the organs of the Writers Union, training classes for young writers to train some 600, lecture classes, individual guidance by veteran writers, publication of selected works of young

writers, and other measures are laid down. Much the same attention is to be devoted to the literature of the various "fraternal nationalities"—which presumably refers to the peoples formerly known as minority nationalities: not the other people's democracies. The collection and adjustment of the literary legacy of these peoples, involving the folklore verbally handed down is also required and these works are to be translated into Chinese, and vice versa. In the larger autonomous regions branches of the Union of Chinese Writers are to be established, especially in the Sinkiang (Uighur), Inner Mongolia, and Yenpien (Korean) regions. A Nationality Literature Committee is to be formed by the Union of Chinese Writers which will be responsible for the organised development of the literary work of the fraternal nationalities.

The world's classical authors and elite contemporary authors are also to be translated into Chinese and published, including the complete works of authors with special significance, together with the works of domestic and foreign research workers on the study of these important works. "The situation relating to the development of world literature should be understood and studied," and the Union is directed to start now on organising literary research personnel for the systematic study of the literature of the different countries. There is also to be a planned introduction of the elite works of Chinese authors to different countries, and each year a list is to be compiled of selected works to be introduced to foreign readers. Efforts are to be exerted also for the expansion of the ties between Chinese and foreign authors. There are numerous other provisions, including the publication of a comprehensive literary journal, and even the various figures for the circulation of a variety of literary journals are laid down. The Jen Min Wen Hsueh and the Wen Yi Pao must work up to more than 300,000 copies each; the Wen Yi Hsueh Hsi (Literary Study) and the Hsi Hsin Kuan Cha (New Observer) more than a million copies each; and a number of magazines in the principal provincial capitals, more than 50,000 copies each. Chinese Literature, a foreign language publication, is allowed more than 100,000 copies. The Authors Publishing House is to be taken over for operation in 1956. The Shanghai and Wuhan branches will operate in 1957. All of which means that if systematic organisation can create literature China is to undergo a far-reaching literary revival. Certainly there should be an abundance of quantity, and in all the world there are few fields more abundant in what has been created. But the great writer cannot be summoned out of a bottle like *genii*.

Novelists and other writers have been given their quota. The Secretary of the Union of Chinese Writers announced in Peking during the week-end that even the pre-liberation writers are being commandeered. One of them is a noted Szechuanese, the 65-year-old Li Chieh-jen, who completed the first two parts of a long novel depicting the changes in China between 1894 and 1949, particularly the events around the 1911 revolution. Caught up in the people's revolution, he found himself a deputy to the National People's Congress, Vice-Mayor of Chengtu, and a Professor at Szechuan University. He suspended all work on his novel but now he has been ordered to come out from behind his desk and resume work on his novel, the published parts of which aroused great interest. Numerous other veterans who were popular before the Communists came to power have also been mobilised and others include the noted novelist and writer of children's literature, Chang Tien-yi.



## CHINA'S FARM CO-OPERATIVES

China's chief problems at the moment are the breakdown of the overworked railway transport and the inadequacy of the road and river facilities. There are also serious problems in regard to the consolidation and efficiency of the vast number of agricultural producer co-operatives of both higher and lower categories. High targets and quotas were laid down, miracles were expected, and now the cadres of various levels have had a rude awakening. Instead of miracles of production there have been failures in many places and especially in the areas where flood and other calamities have occurred to disrupt plans, targets and all else and make millions dependent on help from Government. Indeed the air of the countryside is being rent with complaints and dismayed if not angered by disappointment. They rushed into the co-operatives with enthusiasm in many areas and with a minimum of compulsion in others on the assurance and expectation that they would fare better than ever before in all their lives. In some areas indeed part of these dreams came true.

Planning has proved in the end so planless or so plainly "out of this world" that the question has seriously been raised in the Peking People's Daily whether planning is still necessary for the Co-operatives—and answered by that official mouthpiece in the affirmative of course. But in spite of the voluminous Regulations passed by the NPC to govern the APCs, the Central Committee and the State Council have found it necessary to issue a Joint Directive of no fewer than 11 Chapters and some 10,000 words, to "Strengthen Production Leadership and Organizational Construction of the APCs." It is a most comprehensive document and reveals the weaknesses that experience has brought out during the past six months. The Directive prescribes "an overall solution of new problems arising after agricultural co-operativization" and admits an "urgent need" for more complete provisions to be made for work connected with the APCs and the relations between these and other economic organizations, in the light of the considerable experience gained this year. There is a manifest attempt to cover up in Communist clichés and smooth euphemisms the variety and severity of the problems confronted, and it is not always easy for the ordinary layman to pick his way through the forest of words to the heart of the matter.

The Communist leaders in Peking realise only too well that the decisive argument to the peasants in the co-operativization or collectivist rush last winter was the promise that they would earn more and live better. People do not change very much whatever the Government in power over them. It was the discovery that the regime's favourite "poor peasants" were selling the bits of land handed over to them after the "land reforms" to the middle or rich peasants that galvanised the hierarchy into the decision to go all-out for collectivisation without further ado. Few were more startled than the leadership itself at the nationwide rush into the co-operatives. And if they were elated about it, they were also suspicious, and even a little fearful. Capitalist tendencies evidently have many facets! If only the larger co-operative farms are managed properly and the officials refrain from too severe exactions, the system may perhaps give the peasant a far better return even without much in the way of mechanization.

But there is still the hankering apprehension that the peasants may be disappointed and disgruntled at what they do get out of the APCs and the higher APCs (collectives). So Peking keeps on hammering into the heads of the Party

and State workers that they must see to it that, to begin with anyhow, the peasant must get the biggest possible share of the income—after the grain and other taxes have been paid. Village clubs and other amenities must wait. The administrative committees of the co-operatives in all areas were again warned early in July on these points. They were told that in order to consolidate the higher APCs they must ensure the continual increase of the income of their members, and on the other hand, the continual growth of the common sinking fund of the co-ops. This calls for the earnest implementation of the policy of operating the co-ops with industry and thrift. Extravagance and waste were noted in the past owing to improper management and operation, and there had also been too great a concentration of a "single task"—such as maximum grain output—to the exclusion of handicrafts and other means whereby the peasants supplemented their income. The new Model Regulations for the higher APCs were devised to avoid these errors and achieve the main ends of policy. The Minister of Agriculture (Liao Lu-yen), in his report to the National People's Congress on June 15, 1956, spoke of the great transformation during the previous year. A year ago only 14% of peasant households were in the APCs. Now nearly all were in them and no less than 61% were in the higher stage. The draft Model Regulations for the higher stage are based on those laid down for the elementary form of APCs, but were designed to meet not only the changes with the higher form but also problems that had arisen in the lower APCs. The language used is simpler and many articles are explanatory in nature. Leaders of the APC movement in various parts of the country were invited to take part in the drafting and opinions were widely solicited from responsible Party workers in all places. Many revisions were carried out in the light of experience and advice.

The anxiety of the highest leaders that this dramatic dash into revolutionary change among the most hard-headed and conservative peasantry in the world was reflected in the directive of the State Council on spring tilling and production toward the end of March, and the joint directive of the Central Committee of the CCP and the State Council on April 3, a week later. In the wake of these directives, the Central Committee of the Party, and Chairman Mao himself, again pointed out that increase of production must be ensured for 90% of the co-operatives; that an effort must be made to get 90% of the members of the co-ops an increase in individual incomes, and that the relationships between the members individually and the co-ops collectively must be correctly disposed of—which is easier said than done, of course. A number of revisions were designed to help attain these objectives.

The elementary APCs pooled the land as shares and they centralised management on the basis of private ownership. The higher APCs have full collective ownership of the chief means of production—land, draught animals, and large-size farm tools, including tools for collective side occupations. In the higher stage members' land go to collective ownership and the land dividends are abolished. Why had the method of purchasing members' land not been adopted? asked the Minister. He answered: "Because land as a means of production is different in nature from draught animals and farm tools; also the land owned by the peasants after land reform has on the whole been roughly equal while there has been a comparatively great discrepancy in the quality and quantity of the draught animals and farm tools owned by the peasants. . . The peasants do not at



# JAPANESE HOUSE BUILDING AND MODERN ARCHITECTURE

By Yoshinobu Ashihara

There may be some who would consider it a joke should they be told that recent architecture in a country where industry is as highly developed as America has a number of features in common with the traditional architecture of Japan. However, this is undoubtedly a fact from the point of view of design. Interest in Japanese architecture has

deepened abroad since the war, not because it is classic but because it is related to the present.

all approve of the idea of the co-operative taking on land and paying for it. This is particularly true since the draft national programme for agriculture gave 'five guarantees' to those co-op members who lack or have lost man-power, relieving them of worries about their future."

Next he repeated another question commonly asked: Why have collective and not State ownership of land in the higher APCs? "Because collective land ownership by the co-operatives is easily acceptable to the masses of the peasants," he said, "and can also ensure normal progress of socialist economic construction; while the introduction of State ownership of the land might give rise to misunderstandings on the part of the peasants." When a rich peasant joins a co-op, the entire value of the means of production he brings in, after deducting his share and his contribution to the common reserve and welfare funds reckoned retrospectively, is all to be entered as extra share-holdings. The rich peasants' property is treated in this way "because the rich peasantry in China is semi-feudal and has all along been closely connected with the landlords. It exploits the peasants to a greater or less extent and has not sided with the peasants politically. At the same time, the country's rich peasant economy is small, and backward in management. Its contribution to the national economy is negligible. The present measure for dealing with the rich peasants' property is suitable to the situation."

The Bills Committee of the NPC made revisions concerning members of co-ops who are physically unfit for work and used to depend on land for their livelihood. A new provision said that the welfare fund should be used to maintain their livelihood and that, if necessary, an appropriate amount of land dividend may be given for the time being. The latter was added as a special and flexible provision to apply in cases where the welfare fund is low. The draft regulations also made general provisions to look after the dependents of Servicemen, dependents of "martyrs," and disabled Servicemen. Land transferred to collective ownership is without compensation.

In the coming winter and next spring, higher co-operativization is expected to be attained in the greater part of the country. The major task in rural work in the future, says the People's Daily, is therefore "the overall consolidation, politically and economically, of this new type of economy." After the peasants have handed over their principal means of production, the important question bearing on the consolidation of the co-ops emerges in the division of means to satisfy the individual needs of the members and to increase continually the public reserve fund of the co-ops—in other words, the rational solution of the relationships between the co-operatives and the members individually.

What modern features does traditional Japanese architecture possess? And if there are modern features, do they not for the most part derive from the post and beam construction appropriate to the climate and customs of Japan? In other words, is it not because modern architecture has separated itself from the traditional stone houses of Europe and changed to the post and beam construction developed in Japan for a long time, that Japanese architecture is now so much appreciated? Before we go any further, let us see just what the features of Japanese architecture are, and then let us deal with their inherent modernity.

First, there is the fact that openings are large. As a consequence, they are horizontally wide with a deep overhang. Secondly, there is the standardized approach based on a unit measure, namely, the architectural module. Thirdly, we find a simplicity which rejects all needless ornamentation, and the charms of asymmetry and abstract design. Fourthly, the integration of nature and the interior, and the skilful use of natural materials. Fifthly, flexibility and fluidity in space conception.

The above-mentioned factors are, at any rate, common to the spirit of modern architecture, and were developed in Japan over a period of many years in a handicraft culture refined to an astonishing degree. For Japanese who are used to houses with ordinary rooms of 3, 6, 8 mats and so on, they do not seem in the slightest bit modern and, on the contrary, when we turn to America or Europe for something new and some foreigner from abroad tells us, "Your architecture already has modern features; in fact, that splendid conception on space is just what we are looking for" we find ourselves in a state of bewilderment.

Now I should like to comment on the first point of the large opening. In the gloomy European architecture of the Middle Ages where stone was piled on stone, it was no easy task to create a large opening without upsetting the structure. In the Roman Age, the arched method was cleverly invented and men succeeded in cutting into the body wall an arch shaped opening where each stone or brick mutually supported each other. In contrast to this, it is the question for Japanese wooden structures how to fill large openings between the posts which supported the load of the roof.

With the development of industry and the decrease in the cost of manufactured goods such as steel and glass, together with the development of such techniques like panel heating which lessened the concern for heat loss from large panes of glass, it is rather a matter of course that a post and beam construction should be adopted, and that the gloomy masonry construction of the Middle Ages was left behind.

Seen in this way, Japanese traditional architecture obviously possesses a highly refined sense of proportion, having, between each post, sliding doors, beautiful softly-colored



walls, just like the construction of Piet Mondrian's modern paintings reputed for their straight vertical and horizontal lines and the coloring of the intervening spaces. Moreover, the sliding "shoji" are further divided into smaller rectangles, while the contrast of the pure white paper with the color of the natural texture of the posts may well be startling to the new advocates of the post and beam construction. Because the interior sliding doors, unlike hinged doors, do not take up any room, they are now very popular in American homes and apartments, but they would never have been thought of from the vertically long windows of the arched method. They could only have been conceived from the post and beam construction.

Secondly, I should like to remark on standardization in Japanese architecture, which utilizes the unit measure. In masonry construction, when windows were considered necessary, openings were arbitrarily made to the degree they did not endanger the structure of the house, and it was probably not always important to consider the module. In Japanese architecture, however, with its structure of posts and beams, the location of the posts has had to be at regular intervals or their multiples (i.e. 3 feet, 6 feet, 9 feet, etc.), and the use of a module has thus been a matter of course. With the location of the posts thus determined, the interior straw mats naturally make a unit of 3 x 6 with other structural parts, also following this standardization. Even the silk covered cotton bedding used each night will exactly fit, when folded, into closets. Although it may be natural to consider this matter of standardization within the construction as an integral part of the general post and beam construction, it is particularly appropriate to a highly industrialized country such as America, where everything tends towards standardization. To find that this has been running through Japanese architecture for centuries is much more to be wondered at.

Thirdly, I would like to dwell on the expression of simplicity which rejects all unnecessary ornamentation, and the charms of asymmetry and abstract design. Contrary to the inevitable development of the arched window in masonry construction, and the natural consequence of decorating the space left by the curved lines, in the Japanese post and beam construction the posts and beams of the structure are clearly exposed, and beauty was discovered in the harmony of the simple vertical and horizontal lines. This has coincided with the spirit of modern architecture, which rejects all unnecessary ornamentation, and with the expression of simplicity revealed in American architecture of steel and glass. Again, since architecture has discarded useless ornamentation and become rationalized, the interior function is today faithfully reflected outside. Symmetry, which was supposed to be one of the chief characteristics of European architecture, had to be re-evaluated. Banks with their complex functions were found not necessarily to require the symmetric dignity of a Greek temple.

Traditional Japanese architecture, on the other hand, exclusive of the influence of Chinese architecture, has begun and ended with asymmetry. While this can be conceived as a way of softening the severity of the straight vertical and horizontal lines of the post and beam construction, it can also be seen in the "tokonoma" (or alcove) and in the alternating shelves.

While quite recently there has been a great rage of mobiles even in homes, this is closely related to the liner architecture of today and could not have possibly been conceived in connection with Gothic or Renaissance styles. However, the fact that much that is similar to these extremely modern mobiles can be seen in Japan might pos-

sibly be so because mobiles are related again to the post and beam construction. Wind bells, movable pothooks and lanterns are not only similar to mobiles but, in the case of wind bells, the sound is romantic. Abstract design can be seen everywhere, and here again the sense for natural materials such as seen in the use of bamboo shades and the like in America and modern homes in other parts of the world are probably due to the fact that originally they were developed for post and beam constructions.

Next, I would like to mention the relation to nature and the use of natural materials. In general, it can be said that the Japanese are a nature-loving people. Japan's nature is not of the tropical jungle type with crocodiles and lions. As seen in Hiroshige's woodcut prints, Japan had a temperate climate. With such an environment, Japan's architecture, as I have pointed out before, has utilized the post and beam construction and has very skilfully integrated itself with nature. Stones, for example, are placed in such a way as to make the house appear inviting from the garden and at times the post of a building may stand in a lake as if in an attempt to fuse garden with house. This attempt can also be seen in the contemporary architecture of North and South America. For instance, in spite of the intervening window glass, flowers and grass planted inside the house extend outside to the far end of the garden. This follows the same logic as having stone walls of identical material extend from the inside to the outside of the house. Such things could never have been thought of from the old stone houses with their small windows.

Now, in houses where interior and exterior are thus integrated, the desire for a garden more suitable to daily living, with a little vegetation, some moss-covered rocks or a skilful suggestion of water is not so strange in preference to gardens in the manner of palaces like Versailles which boast of symmetry and dignity. From the viewpoint of privacy, when the windows grow larger, there is need for some sort of a fence as in Japan. Thinking of this and looking at Japanese gardens, one can see where the techniques and ingenuity of the past becomes one with the spirit behind contemporary architecture.

Great metropolises like New York City with their mechanical culture, on the contrary, yearn increasingly for nature. With their appreciation for even a blade of grass, a single blossom or a rock, it can be imagined how much they could further appreciate the superior choice of natural materials which Japanese architecture has long known, including the use of the natural texture of wood and bamboo.

It can probably be said that the principle of Japanese gardening came from nature. Of course in speaking of nature, as before, I do not mean the nature of the jungles but what has been experienced by the Japanese. The Rock Garden of Ryuanji in Kyoto has astonished many foreigners interested in modern architecture and might be considered the same of our conception of nature. The taboo in Japanese landscape gardening is symmetry. As indicated in the story of the famous tea master, Rikyu, who once scattered the leaves of a tree branch over a freshly swept and watered garden, there exists a love of the natural and strong disapproval of symmetry.

From the aspect of modern design, many interesting things can be discovered in the art of Japanese gardening. First, there is the color of the ground. We can think of green, brown and white. There is moss-green, and deep verdant green, brown from dry pine needles and white from pure white sand. Upon a background of such plain colors, stones are placed as if they had been



scattered like beans. This has all been painstakingly studied and is related to an art which can at times inspire one to deep meditation and at other times suddenly change one's mood. The secret technique and care behind a Japanese garden is far more profound than we imagine.

Finally the flexibility and fluidity of space in Japanese architecture. In Japanese homes we often speak of 6 or 8 mat rooms. That is, we call rooms by their size. We have the custom of not calling them by their functions, such as dining room, bedroom, living room, etc. To look at this from the opposite point of view, it is because one room is used not only for one function but can be used for several. When occasion demands, we can remove the "fusuma" and a whole house can be turned into a single room. In this fashion, there is flexibility in Japanese architecture.

Then, between each room there are "ranma" and "shita-jimado" (windows in wall). Walls, like curtains, give no real support but merely define space. Screens, when spread, can serve to divide the space, at the same time gracing the room as an object of art. When closed, they may be put away with the minimum of trouble. In everything, fluidity is reflected in Japanese architecture.

This flexibility or fluidity has recently been seen in American modern architecture where the utilities—the bathroom and stairs or core—are gathered in one place while the remaining space is used freely, namely the "core plan" found frequently in offices and dwellings. Then, as a new

technique that has recently appeared, there is the curtain wall which has nothing to do with the actual structure. These modern ways of thinking have long existed in Japanese architecture, however, because Japanese architecture had utilized the post and beam construction.

Japanese architecture has always placed much importance on a high floor with its possibilities for ventilation underneath. Consequently, furniture such as chairs were never developed and the custom of sitting on the floor resulted. Depending on how you look at it, the whole house can be regarded as a single piece of furniture. On the other hand, cushions which are light and portable were developed. Simultaneously, in modern architecture of Le Corbusier where the floor is raised, there is fluidity under the floor an interesting coincidence. The fact that there is also a world-wide trend towards light and portable furniture strikes me as of particular significance.

Although these features which I have mentioned above are of Japanese architecture, I believe they are features of modernity as well, and all due to the method of construction. Today, with the universal tendency to pursue shell and post and beam construction, if Japanese architecture has anything at all to contribute, it will be her experiences in solving questions which have come up in the past with regard to the post and beam construction. Because of the intimate relationship of Japanese architecture to nature, it is impossible to do justice to the subject merely by words.

## ECONOMIC LETTER FROM TOKYO

**General Economic Situation:** In its economic report published on October 30 the Economic Planning Board states that the tempo of economic expansion having slowed down of late, any fear of greatly disquieting effects on the economy of the impending shortage of electric power supply and iron and steel has lessened; there is now less fear of inflationary developments and also of unbalanced international payments. The need hereafter is, by warding off either recession or too rapid expansion, to strive to keep on high level of business prosperity. Industrial production in August showed a decline of 0.2% from July, the first time this year that any decrease happened as compared with the previous month. The foreign exchange receipts from exports in September of \$188 millions were \$25 millions less than in August, but payments for imports also decreased to \$207 millions, while invisible trade including special procurements showed an improvement. The result was a surplus balance of \$19 millions in international payments, a favorable turn for the first time since June. The number of the employed in August of 42,810,000 was 770,000 greater than the same month last year, and it is to be noted that employees in non-agricultural business increased by 1,840,000 or 8.5%. Wholesale prices dropped in October after a continued rise since July.

**Economic Conditions in the Provinces:** According to the reports made by the regional finance bureaux chiefs at their meeting in the Finance Ministry, October 18, business prosperity mainly arising out of thriving export trade pervades all industries and trades, which is equally shared by small businesses. In agriculture, too, crops were generally good with the exception of Hokkaido only, where a big damage was done by low temperature, and farmer's income promises to be greater as compared with last year. Yet,

the future is regarded with caution, which is manifested in the reluctant attitude of bankers recently in extending loans to small and medium-sized businesses, and credit shortage is beginning to be felt particularly in cities. Consequently, applications for accommodations to governmental finance agencies have notably increased. There is also a tendency for the strain of the difficulty in getting supplies of iron and steel, of deficiency in transport or of electric power shortage to be borne more by the small and medium-sized than by big businesses.

**New Orders for Machinery:** The Economic Planning Board revealed that new orders for machinery received by 55 principal manufacturers during August totaled ¥71,700 millions, the postwar high and 12.5% more than in July. Of this total, orders from manufacturing industries amounted to ¥15,100 millions or 5.2% more than July, while those from non-manufacturings decreased 10.6% to ¥18,970 millions. It is to be noted that the total home demands, which indicate the trend of plant and equipment investments in the country, decreased 8% from the previous month to ¥39,100 millions.

**Curbing Investments Unnecessary:** At the directors meeting of the Federation of Economic Organizations, October 23, President Ishizaka reviewed the recent economic situation and expressed a generally optimistic view. Among other things he said (1) that, while there are some who take a critical view of the present plant and equipment investments as excessive, the situation cannot be considered unsound; (2) that since Japanese economy is expanding all well and satisfactorily, and there is little fear of any falling off in export, no arbitrary restraints on the expanding economy need be made.



## DEVELOPMENTS IN SINGAPORE

Political events in September have proved the honesty and course and the strength of those who are working to build Singapore's future self-government on a firm democratic basis and not as a false facade for creeping Communism. Having achieved a vote of confidence from every member of the Assembly, Mr. Lim Yew Hock has opened a frontal attack on the Communist Front organisation which have been growing in number and strength over the past 18 months, and the small group who run the stable from which emerge the horses of varied colours but one pro-Communist control.

The Governor's Speech setting out the policy of Lim Yew Hock's two-month old government was delivered in the Assembly on August 29. A week later the Assembly resumed to discuss the speech and the vote of confidence for which Mr. Lim Yew Hock asked. He said he had accepted office because he believed the people had confidence in his ability to achieve in the resumed constitutional talks with the Colonial Office the "attainment of complete self-government". In the interests of continuity, he had retained the same colleagues. He had not sought any new coalition for he did not intend to stay in power for the maximum period of 4 years of the present Assembly. Either there would be a new constitution to operate, or he would have failed and resigned.

He said that in the talks he would follow a new strategy. "This time we must plan and plan well so that we can negotiate from a position of strength". He was convinced from his talks with the Secretary of State for the Colonies in London during July that if the Government had the fullest support of the Opposition, there would be no failure in the talks. He gave an assurance of the closest co-operation with the Federation Government.

This statement brought the support of the Liberal Socialists and the People's Action Party offered their support conditionally. Mr. Lim Koon Teck said he was "greatly moved" by the Chief Minister's speech and his party would support him. Mr. Lee Kuan Yew's tone was different. He scolded the Chief Minister for detail after detail of the Governor's speech, to make his party platform clear, but he has never before given the same impression that he was the briefed spokesman of a party, rather than a leader, formulating and interpreting and guiding in a Malayan direction, the political views of a new and only partially articulate group with political power. He criticised the Governor's speech as poor, lacking in theme or Master Plan, a collection of departmental and doleful ditties. But in replying point by point, in a long speech, he made a speech which earned the descriptions he had transferred across the floor of the Assembly, and held the Assembly less than by any of his previous speeches. It was an indirect compliment to the former Chief Minister whom he had played and frequently dominated by alternately taunting and stimulating him. But he found the new Chief Minister would not rise to his bait. He concluded by offering to support the Chief Minister if he would call a convention of all anti-Colonial parties to plan the tactics of the talks and if he would consider united and constitutional action should the talks fail.

Mr. Lee Kuan Yew, far from carrying the Assembly united it in opposition to him. The pattern was quite different from that in the time of the previous Chief Minister and took the P.A.P. as other parties by surprise.

Mr. Lim Cher Kheng, an Independent, made a better attack on Mr. Lee Kuan Yew as a "dictator", as a "champion of the people" who did not live in the style of the people, and as "the biggest stumbling block in our efforts for Merdeka". How could Mr. Lee who saw no good in anything but his own party, consistently call for a united anti-Colonial move? It was Mr. Lim Cher Kheng's most effective speech, and earned the fullest publicity in good, hard-hitting and humorous debating. The debate became an attack on the PAP as much as a debate in favour of Government, an unwelcome concentration of attention for the PAP.

In summing up the debate, the Chief Minister rejected any conditions from the PAP. He stood by his declared policy and the conditions which he would seek to create as favourable for success. The PAP must decide whether to accept or reject: he would not bargain or buy votes. They were not a caretaker government in the accepted sense, but only in the duration of their life, and while in power the "machine of government would be in full swing. One sentence was to prove more full of meaning than appeared at the time, and was to bring cold comfort to the groups within the same orbit of ideas as the PAP. Before the re-opening of the constitutional talks in London, he said, "the government will do everything in its power to bring about a state of affairs that will be not only conducive to success but also in the best interest of the people of Singapore."

The PAP were in a dilemma, as they were to be later in the month, and had no option but to accept the Chief Minister's position and vote unconditionally for him. Of the 30 members present (two, including Mr. Marshall, being out of the country) all gave him the vote of confidence, a unique tribute in the short life of the Assembly and a major stabilising influence on public opinion. It was a major achievement. The failure of the Merdeka talks had seemed to spell the ruin of the Labour Front and to have guaranteed the succession to the PAP who could afford to wait peacefully for the inevitable access of power, while flexing the muscles of the strong industrial arm of their affiliates. Mr. Lim Yew Hock had been accepted as a less spectacular leader than Mr. Marshall. It was expected he must toe the Communist-twisted "anti-colonial" line of Middle Road in comparison. Yet he had emerged stronger than his predecessor, and had brought a calm to Singapore which had seemed a thing of the past, and had stolen the initiative from the Middle Road group who were cut to life-size as an extreme left group, heavily penetrated by Communists, and thereby lost the self-generated, and hitherto convincing, glamour of the status of leaders of the national movement.

### Frontal Assault on Communist Front

From this vantage point of strength the Government decided to take action against the growing and increasingly conspicuous and less camouflaged Communist Front organisations which had grown in number and were spreading the Communist infection to the grass-roots of the new self-government. From the Middle Road union group came the Women's Federation and from that the Anti-Yellow Culture Council which the Unions and the Singapore Chinese Middle Schools Students' Union (henceforth to be known as SCMSU) supported. An Unemployed Association was formed by the same group who served on the committee.



There was a revealing appearance of the same names and the same pro-Communist and anti-Colonial theme under all the new umbrellas whose promise of shelter from social ills would, if genuine, have deserved widespread support. But they had become careless of their camouflage and created concern rather than confidence.

The Government's plans were kept successfully secret. On September 18th and 19th, 6 alien leaders were arrested for banishment and one local-born student was detained under the Public Security Ordinance. The Chief Minister announced "We have decided on strong action to counter the growing menace of Communist-front organisations." He referred back to the quotation from his speech in the Assembly and said the action of these individuals and groups was neither in the interest of the Colony nor conducive to the success of the Merdeka talks. He made quite clear that in carrying out his policy he would make the full use of the law, and would act immediately and strongly against breaches of the law. The allegation that he was a colonial stooge he repeatedly and convincingly denied. Neither the officials, Ministers nor the Police, but he himself a third-generation Singapore-born Chinese and his unofficial and elected ministerial colleagues had determined the action and its timing: and further the Chief Minister and the Minister for Education, Mr. Chew Swee Kee, had earned "death-letters." Nor had he made any bargain with Mr. Lennox-Boyd: or acted in his interest; he had acted in the interests of the people of Singapore with whom, with full support, he had made a bargain in the Assembly. The Middle Road group of unions replied hesitantly even in words: while the threat of a one-day token strike (which would have been against the law) became a one-hour protest which failed to get general support, as equally failed the attempt of a 15-minute silent protest every morning. The T.U.C. has come out strongly in support, while the affected Unions have had no public support from outside their own groups. They have failed to make their particular grievances a matter of general concern and their isolation is all the clearer.

The Unions protested that the leaders of Merdeka were being arrested to the detriment of the Merdeka movement, but the Chief Minister contended they were taunting the constitutional Merdeka movement, of which he was the leader. And the public could hardly see logic in the status of "leaders" who would not even take out the nationality of the country they claimed to be seeking to liberate. "Our Merdeka" said Mr. Lim Yew Hock, "is a merdeka for the well-being of the people of Singapore."

There were six arrested for banishment, all born in China and therefore aliens in law, a fact conveniently forgotten when a cable was rushed off to the United Nations, protesting a breach of human rights. The first was Lim Chin Kok, President of the Factory and Shop Workers' Union of which Assemblyman Lim Chin Siong is Secretary, of the Farmers' Association, and of the Amalgamated Pineapple Workers' Union. The second was Miss Linda Cheng Ming Hock who had received her secondary schooling in Singapore and is a graduate of the University of Malaya. Born in Shanghai she had come to Singapore at the age of 5, and now 27, had retained her alien status. She is a protégé of the Middle Road group, a teacher of English in the Chung Cheng High School (one of the Chinese Middle or Secondary Schools), the Chairman of the Singapore Women's Federation and of the Anti-Yellow Culture Council, and a founder committee member of the Unemployed Association. The other woman arrested was Miss Tan Gek Heng, a teacher in the Jurong area which is Mr. Lim Chin Siong's constituency and in which the Farmers' Association are strongest and where there has been most open unrest against the Chinese school's accepting Government.

She is also a committee member of the Singapore Women's Federation. The Dean of Studies and Dean of Discipline of the Chung Cheng High School where the Communist penetration of schools has gone furthest, were also arrested. The sixth, Chen Kwang Fung, a headmaster in the Jurong area was also Chairman of the Chinese Primary School Teachers' Union.

The two societies which were dissolved at this time were the Singapore Women's Federation and the Chinese Brass Gong Music Society. The former had achieved nothing except to produce the Anti-Yellow Culture Council and celebrate the Communist Women's International Day. When revived early this year, it took the same title and almost identical aims as the Federation, most of whose leaders went underground as Communists in 1948. The Brass Gong Music Society is old-established but had three times attempted to produce concerts of Communist songs and music from Russia and China and had proclaimed its role of mobilising "progressive" music in the cause of the masses. It has been at the centre of the pro-Communist activities among the so-called "cultural societies".

#### Middle School Union Dissolved

On September 24th, the Government announced the dissolution of the SCMSSU as a "Communist-front organisation". It was only allowed to register on the condition that it took no part in politics but it had actively organised and taken part in political demonstrations while several of its committee members had been detained under the Public Security Ordinance. It had organised the Communist study movement which, while apparently an innocuous movement for the encouragement of diligence of study and community activity in the schools, had been "a systematic development of Communist collective study and self-criticism methods" and had been illustrated by the programmes of "holiday indoctrination classes" organised for their executives. The precise indictment of Mr. Chew Swee Kee, the Minister for Education on announcing the dissolution was this: "The members of the Union have used intimidatory methods to encourage "striking" children to flout the authority of their teachers, have organised "protest" meetings on school premises without the authority of the schools, and have intimidated teachers and students who have refused to accept their domination. As a result, the atmosphere of the middle schools has been corrupted; neither teachers nor pupils have been able to work normally, and educational standards have been seriously endangered."

The arrogant attitude of the Union was shown to the end in their organising meetings in defiance of their authorities.

In the light of past experience of action against the Communist influences among students defiance of the law would have been expected and in fact appeared to be developing. Meetings of protest were held in the schools on the first day, in defiance of Principals and members of the Committee of Management. In the evening the school and class representatives began to gather in the Chinese High School for a "sleep-in" strike. But in the end they dispersed. School has returned to normal classes, though a committee has been set up to agitate for the restoration of the Union and the leaders gather in groups to discuss their tactics. The attempt to enlist the support of the Chinese Chamber of Commerce failed. Soon after the ban, anti-Communist leaflets were widely distributed. Meanwhile, the ruby-rewarded Pritt has been asked to come out again to advise and assist them.



September ends with a strong Government in a strong position, grappling with Singapore's greatest menace, the persistent attempts of Communist subversion, posing as fair-seeming societies and exploiting both the unrest of a period of transition and the stresses and strains of a rapidly-growing and racially-diverse community. But Mr. Lim Yew Hock as Chief Minister has shown a strength, courage, determination and resourcefulness which is recognised and welcome by all except those whose purposes and activities he has successfully challenged and frustrated.

#### Fraternity with Federation

The Federation Ministers have not let the PAP stricture on the communal aspects of their policy go unchallenged. Tengku Abdul Rahman's assessment of the motive of the PAP attack is clearly implied in his reply that he was determined "to see that our Government function free from interference by subversive elements whose activities and influence have been so disturbing elsewhere." The Assistant Minister for Commerce and Industry and Chairman of the UMNO Publicity Committee blamed the "irresponsible" action of certain Singapore leaders which had made it impossible for the two territories "to get on together"; Che Abdul Aziz, the Minister for Agriculture, whose brother is managing Director of the Utusan Melayu, told the PAP "we cannot tolerate any interference coming from a party which has no connection with the Federation".

Mr. Lee Kuan Yew's reply was that they had merely given their views and if it wasn't correct, they were prepared to listen to any one. In his speech in the Legislative Assembly, Singapore's Chief Minister said the PAP attack was a set-back to his policy of closer and better relations with the Federation. "The PAP, like the Labour Front" he said, "stands for a United Malaya, but their method of bringing about this unity is one we all deplore". Mr. Lee Kuan Yew's reply was that the Colony was the "sparkling" (a somewhat unfortunate analogy in its implications) for what was happening in the Federation, and the Federation must accept the fact that while Singapore was separate, they had neither direct control nor any means of stopping the infiltration of ideas across the Causeway.

Two later events made this clear. The Federation Chief Minister found on his first visit to the Department in Singapore of the Royal Malayan Navy which is financed and administered entirely by the Singapore Government, but consists mostly of Federation-born recruits and operates chiefly under Federation command in Federation waters. He was very impressed at the high standard of the facilities as of the men, and expressed the hope that it could be used by the Federation Navy.

At the end of the month, he publicly praised the "right action" of the Singapore Government against the Communist Front organisations. "Unless" he said, he is brave enough to act against people like these, he will never be able to run Singapore," for they seek to flout authority at every opportunity. He would not have hesitation to take similar action. Although subversion was less active and open in the Federation, the same people as were active in Singapore were attempting to extend their activities to the Federation.

#### Singapore Commercial Review

Mr. M. F. Cutler, the President of the Singapore Chamber of Commerce, has issued his half-yearly report. He reports that while the total volume of entrepot trade is slightly higher than for the first half of 1955, the favourable balance is greatly reduced. The expected improve-

ment in trade with Indonesia was not achieved, though the value of the trade was slightly higher, while the loss of Borneo trade to Hongkong continues. Trade with China shows a very adverse balance with imports from China to the value of \$67,000,000 as against exports to China of \$2,500,000. Mr. Cutler pointed out that the U.K. armed services contributed annually to the Colony's economy more than the sum of its annual budget—over \$200,000,000.

The report welcomes the proposed planning of tourism in Singapore and says that the "efforts of Government and Commerce should be combined to enable Singapore to seize this new earning opportunity". This assurance of Singapore as a centre for tourism in S.E. Asia is well-timed just before the arrival of Mr. R. W. Fenton of the New Zealand National Publicity Board who has been seconded to Singapore under the Colombo Plan to report on the formation and operation of a Tourist Board in Singapore.

Commenting on the constitutional development, Mr. Cutler emphasises the need to keep in the public mind the contribution of the members of the Chamber to Singapore's "eminence". "We must, he said, "emphasise our strong desire to continue here working in close harmony with our elected government and as an integral part of the economy and social life of Singapore." He spoke of Mr. Lim Yew Hock as "so widely acceptable and by his experience having a natural approach" to current problems. He concluded with a reference to the need for closer relations with the Federation and for continued capital investment in local industries to provide employment in the expanding labour market. It was a confident speech, reflecting the greater steadiness and confidence in Singapore over the past six months.

#### Singapore's First Agricultural Show

One in six of the people of Singapore visited the Colony's first Agricultural Show which was opened by the Governor, Sir Robert Black, on the site of the former Kallang Airport on September 1st and drew crowded audiences till the 5th. Its purpose had been to give public recognition of the growing contribution of the Singapore farmer to the local food supply and educate the urban-dweller on the importance of his country cousins to the economy of the island. Mr. J. M. Jumabhoj, the Minister for Commerce and Industry, in his opening speech gave the eloquent figures. Daily the farmers produce 65 tons of vegetables—60% of those consumed. 1,500 acres of prawn farms produce one third of consumption. Singapore is approaching self-sufficiency in fish and is producing enough pork and eggs for her own consumption with a growing margin for export.

The Show attracted the full co-operation of the farmers in most of the rural areas. The result was a show interesting in itself and impressing everyone with the high quality, particularly of the animals and poultry. It had the real atmosphere and attraction of the agricultural show with the wayang and ronggeng at the far end of the three-quarter of a mile show to restore the tropical atmosphere. The crowd of all ages and races was in itself a spectacle and in them the show proved another aspect of the broad civic education which leads to self-government. During the preparatory stages the Singapore Farmers' Association which is a horse from the Middle Road stable, and their allies among the Press attempted to boycott the exhibition and attack it as evading the real problems of the farmers. But even they were compelled to admit they had been defeated, and turned to praise the government for recognising the importance of the farming and fishing community. It is another measure of the growing solid realistic basis of self-government.



## CHINESE STUDENTS OF SINGAPORE

I should like to comment on a paragraph in the article entitled "Chinese Students of Singapore" dated October 4th current, in which you imply that the troubles in Malaya result from our failure to give due recognition for the 'brave and determined resistance to the Japanese' of the organisation 'known as Force 136'.

It is important to get our facts right. Force 136 was a British organisation based outside Malaya, which got into touch by submarine and parachute with the Malayan Peoples' Anti-Japanese Army in the jungles of Malaya. This latter force was communist-dominated from the start, and there is no doubt that the object of its leaders was to set up a communist regime in Malaya once the Japanese were expelled. To that end they were prepared temporarily to use British help, and accepted the services of officers like Colonel Spencer-Chapman and Colonel Davies.

The Malayan Communist Party was, and is, anti-British, and we must not forget that, like communist parties else-

where, it was in total opposition to our war effort in 1939 and 1940, in fact until Hitler attacked Russia in 1941.

The 3-Star Communists had their short period of power in Malaya, in September 1945 in the vacuum caused by the Japanese surrender and before the advent of the returning British. The murderous tyranny with which they then attempted to set up communist regimes was more burned into the minds of the Malayan peoples, and especially the Malays, than the Japanese occupation itself.

The returning British tried their best to disband the M.P.A.J.A. honourably and they were treated with the consideration due to a part of the Allied war-effort.

In fact, to those of us who were intimately concerned with the administration of Malaya after the war, and who knew something of the real objects of the Malayan Communist Party, this organisation and its armed wing—the M.P.A.J.A.—were treated far too leniently by the then central government in Malaya.

— W. C. S. Corry

## ECONOMIC LETTER FROM MANILA

The Philippine Sugar Association announced the following final figures on centrifugal sugar production in the Philippines during the 1955-56 crop year: Luzon, 339,569 short tons; Negros, 763,673 tons; Panay, 71,665 tons; Cebu, 22,624 tons; Leyte, 15,366 t.; Mindoro, 5,628 t. Grand total, 1,218,530 t. Total production in the previous 1954-55 crop was 1,385,231 t.

Relaxation of restrictions on the remittance of dividends to foreign stockholders was urged in business circles as a measure to encourage investment in Philippine securities. Foreign brokers have been complaining that, while resident stockholders have been receiving their dividends regularly, clients of foreign brokers have not been getting theirs. Allowing the remittance of dividends to stockholders abroad is one of the incentives the government can extend to encourage foreign investments. Foreign brokers are doing a good job in promoting the sale of Philippine securities abroad and are rendering service to the Philippines by helping raise funds to expand existing industries and finance new ventures that go a long way in developing the country's economy.

The Japan Cotton and General Trading Co. plans financial support in the form of equipment and loans for the EFCO wallboard plant. The plant will use coconut husk fibers as raw materials, de-fibering the husks by a process that was invented here years ago by Martiniano Floro. An American importer predicted that the U.S. would buy \$20,000,000 worth of EFCO wallboard a year.

Philippine barter trade with Japan over the past several years and up to Sept. 30, 1956, shows that it amounted to a two-way traffic of goods worth \$497,900,000. Under this arrangement, the swing-balance is periodically paid off in dollars. Up to Sept. 30 the balance had been in favor of the Philippines to the extent of \$124,000,000.

A P8,000,000 canning factory for putting out coconut milk in combination with skimmed milk is being planned for the Philippines by the Los Angeles General Milk Co.

A prospectus for a textile mill and finishing plant with a capacity of 6,020,000 yards of finished fabrics annually

and requiring a capital outlay of 5,400,000 pesos has been completed by the Industrial Development Center, joint project of the U.S. International Cooperation Administration and the National Economic Council. The prospectus was drawn up at the request of a private firm. The report on the textile project was released in summary form to the interested firm. Private engineers or consultants will handle detailed studies, including the design of the plant layout. When the plant is in operation, estimated gross sales would total 7,500,000 pesos annually.

The government's biggest development project—the P132,000,000 hydroelectric power plant in Ambuklao, Mountain Province—will be inaugurated on November 15. It is designed to provide the Manila-Central Luzon-Baguió area with electrical energy at low cost. Pres. Magsaysay will press the button that will bring to life the 75,000-kilowatt capacity of the big power project. The plant is able to produce 330,000,000 kw net during an average year, after making allowances for transformation, transmission and other losses. Ambuklao is the first of seven hydro-electric projects designed to utilize the 430,000-kilowatt power potential of the Agno River. The Ambuklao hydroelectric project includes the second highest rock-filled dam in the world. Its electric power is tentatively allocated as follows: Manila, 50,000 kws.; Baguió and all mining districts, 15,800 kws.; Pampanga and Clark Field, 12,500 kws.; La Union, 5,900 kws., and Tarlac, 1,000 kws.

The Philippine mining industry stands to reap benefits from the Japanese reparations payments in the form of capital equipment, loans and technical know-how. The mining industry is planning ahead and exerting efforts to dig deeper and spread out operations. The rising demand in Japan for Philippine mineral products is expected to stimulate production of iron, chromite, manganese, lead, zinc and mercury. Last year the Philippines produced more than P167 million worth of metallic and non-metallic minerals.

Lepanto Consolidated Mining Co. production in September totalled 3,711 tons of concentrates estimated to contain



# THE RUBBER INDUSTRY OF HONGKONG

By M. Sampasivam and Eva Lee

1. **INTRODUCTION:** With over fifty factories producing rubber goods it would be no exaggeration to state that the rubber industry here can be considered as one of the more important industries of the Colony. In fact, rubber production has satisfied our necessities as well as our luxuries, for the products include not only rubber footwear, which is the main product, but also baby comforters and bottle teats, sheetings, hose-pipes, balls, toys, dolls and balloons, bicycle tyres and tubes, elastic bands, erasers, rubber stamps, and underwater swimming wear, e.g. web-feet. Changing fortune of this industry is very typical of the Colony's economic trends.

2. **HISTORY OF THE INDUSTRY:** The manufacture of rubber goods is one of Hongkong's oldest industry. It began over 30 years ago when two small factories were established mainly for the manufacture of rubber soles and heels and also, to a lesser extent, the production of shoes for sale in the local market. In 1926 several new factories were opened and the goods were also marketed in China, export amounting to one million pairs of rubber shoes a year. This figure should be compared with the position in 1955, when the total export of Hongkong manufactured rubber footwear amounted to about 4.5 million pairs. Development of the industry gained momentum when merchants established contact with buyers much further afield. There were many difficulties to be overcome and setbacks to be endured. The turning point occurred in 1932 when an order came for shipment to British West Indies. Because of the reasonable price of the merchandise, combined with its sound quality, the demand became soon large enough to justify the establishment of many new factories. In the course of time the United Kingdom became the chief market.

Between 1939 and 1946 the rubber industry in Hongkong was on the decline, and faced a very difficult time. In 1939 proposals were made by the United Kingdom and Canadian rubber manufacturers for a voluntarily agreed limitation of Hongkong exports to the United Kingdom market. This meant a great blow to the industry as the United Kingdom had always taken the lead in the demand for Hongkong rubber goods. In addition to problems arising from the decision to restrict importations into United Kingdom, exporters in Hongkong also experienced difficulty in finding freight space. Considerable quantities of rubber footwear were discharged at ports en-route when a neutral shipping line announced its intention to no longer call at the United Kingdom ports.

The authors of this article are students in the Department of Economics and Political Science, University of Hongkong. The article was prepared under the supervision of Mr. E. F. Szczebanik, Lecturer in Economics, University of Hongkong. (Editor's Note).

2,144,220 pounds of copper and 3,522 ounces of gold (returnable gold at 3,407.5 ounces). The concentrates production contained an average of 28.89 per cent copper and 0.949 ounce of gold per dry short ton.

Contracts have been signed for the operation of a new copper property in Camarines Norte which contains copper values of from 3% to 27% plus molybdenite and nickel. Samar Mining Co. August production was 192 dry short tons of copper concentrates, 8.4 dry short tons of lead concentrates, and 167 dry tons of zinc concentrates.

Little is known of the industry during the Japanese occupation. It is, however, probable that rubber was used for strategic purposes, thus little or nothing was left for civilian consumption. After the war, quick recovery took place and from 1947 onwards, orders for local market continued to be steady. In the absence of foreign orders for footwear large factories were compensated to some extent by orders for rubber products, chiefly bicycle tyres and tubes for nearby markets. In August, 1947 with the help of the Department of Supplies, Trade and Industry, an order for approximately 2½ million pairs of rubber shoes was received from the United Kingdom. In 1949 it was announced that the Hongkong rubber footwear had been placed on the open General Licence in the United Kingdom. However, this did not result in any substantial increase in business as might have been expected, due mainly to the continued high cost of the Hongkong manufactured articles. The years 1950-1951 were the peak-period of the industry. Flourishing export to China, however, came to an abrupt stop in 1952 with the imposition of the embargo on the export of rubber manufactures. (Chiefly raw rubber and rubber tyres for vehicles). Additional difficulties appeared with the outbreak of hostilities in Korea, when manufacturers were faced continuously with the burden of rising cost of their basic raw materials. However, during the last three years, with the help of the Department of Commerce and Industry and the Hongkong Government representative in London, more orders were placed in the U.K., Canada and other Commonwealth countries so that the number of factories has been even increasing as is shown in the following table:

Year	Reclaimed rubber products factories	Shoe factories	Total number of factories
1950	4	41	45
1951	4	42	46
1952	3	48	51
1953	5	48	53
1954	5	50	55
1955	4	54	58

Most of the factories are situated on the mainland, mainly at Castle-Peak Road, Cheung Sha Wan Road, Shek Kip Mei Village, and Tai Po Road, and only ten on the island itself.

All the firms are private enterprises. Although it has been mentioned that the Government has done a great deal to promote this industry, yet there has been no financial aid from the Government.

3. **RAW MATERIALS:** As no rubber is produced in Hongkong, it has to be imported from Malaya and Borneo, where it is chiefly cultivated. Carbon black which supplies most of the accelerators used is imported from Europe. Sulphur is required for vulcanizing the rubber and lithophone for whitening it. Canvas is still imported in some quantity from the United Kingdom, but locally made canvas from Hongkong's textile factories is increasingly being used, as well as drills for lining, which further assists local industries and helps to maintain employment. Millions of eyelets and millions of pairs of laces used by the rubber footwear industry are locally produced. Calcium carbonate which was formerly imported from Canton, is now supplied from local sources to a large extent, although some still has to be imported from overseas.

The following table shows the total import value of rubber manufactures between 1948 and 1955.



Year	Total import value of rubber manufactures HK\$	Index
1948 .....	36,683,644	100
1949 .....	49,857,974	135
1950 .....	234,185,531	638
1951 .....	353,790,285	964
1952 .....	11,754,044	31
1953 .....	4,282,550	11
1954 .....	6,501,231	17
1955 .....	9,878,198	27

Note: Rubber manufactures include rubber fabricated materials, and rubber manufactured articles. Rubber fabricated materials are pastes, plates, sheets, rods, threads and tubes of rubber; and rubber manufactured articles are rubber tyres for vehicles and their inner tubes, hygienic, medical and surgical articles of rubber, and manufactures of soft and hard rubber.

It will be noticed that if 1948 is taken as 100, the import value of rubber manufacture in 1951 was almost 10 times as high. In 1952, however, as a result of the embargo on the export of rubber manufactures to China, the import declined to only 31% of the 1948 level. It dropped further to 11% in 1953. In 1954 the index slightly rose to 17 and in 1955 to 27.

4. **MANPOWER:** In 1954, the rubber industry provided employment to 6,675 workers in fifty-five registered factories. The following schedule shows wages of different types of workers, working per day of 9 hours.

Occupation	Sex	Daily wage (\$)	Estimated daily wage with piece rates
General work .....	M	2.00	5.00
	F	2.00	4.50
Rolling and mixing ..	M	3.00	7.00
Pressing .....	M	—	3.50
Cutting .....	M	—	3.00
	F	—	2.00
Making v .....	M	—	2.00
	F	—	1.50
Vulcanizing .....	M	2.80	7.00
Finishing and packing	M	—	4.00
	F	—	3.50

The overtime rates amount to 150% of the normal rates. These wages are decided by the workers and employers. On Sundays and general holidays they work at ordinary rate, but Chinese festival days are counted as holidays.

The factories are small in size and mechanization is limited. The following table illustrates the distribution of workers between factories of various size.

Number of workers	Number of factories
0 — 30	30
31 — 100	9
101 — 200	7
201 — 400	5
401 — 1,500	5

5. **OUTPUT AND MARKETING:** The quantity of output varies and is strongly influenced by the political situation and difficulties in supply of raw materials. Data concerning the output of rubber manufactures are not available but a fair picture of the post-war trend may be given in terms of the value of export of rubber manufactures.

Year	Total export value of rubber manufactures HK\$	Index
1948 .....	32,427,044	100
1949 .....	47,885,502	147
1950 .....	236,146,124	722
1951 .....	350,610,004	1,080
1952 .....	1,450,382	4
1953 .....	2,449,946	7.5
1954 .....	2,419,639	7.4
1955 .....	4,195,103	12.9

This table, in the same way as the table showing the changes in the value of imports of rubber manufactures, provides a good illustration of the effects of embargo imposed on the export of rubber manufactures to China. Whereas in 1951 the export value of these goods was more than ten times larger than the 1948 value, it dropped to only 4% of the 1948 level in 1952 and in 1955 it reached only about 13% of the value of exports in 1948. The gradual recovery is due to persistent efforts of Hongkong traders to find new export markets.

Nowadays, the most important branch of rubber industry in Hongkong is the manufacture of rubber footwear. In order to preserve the reputation of their products the Association of Hongkong Rubber Footwear Manufacturers was recently formed which keeps an eye on the quality of the footwear and works together with the Hongkong Rubber Footwear Exporters Association. The United Kingdom has always been the chief market for Hongkong rubber goods, but the boots and shoes of Hongkong rubber industry will be found in shops of Canada, Australia, Switzerland, Borneo, Malaya, Central and South America, and many other places.

The following are statistics of the quantity and value of Hongkong manufactured rubber footwear exported to the various countries in the year 1955:

Country	Quantity doz. pairs	Value HK\$
United Kingdom .....	254,813	18,010,261
Canada .....	29,359	1,312,177
West Africa (British) .....	21,105	821,745
Australia .....	8,086	376,843
Germany (Western) .....	10,170	335,915
East Africa (British) .....	6,239	301,711
African Countries, other .....	8,411	232,837
British West Indies .....	5,687	231,442
South American Countries, other .....	2,954	222,178
Central America .....	5,235	202,428
British Commonwealth, other .....	6,072	186,900
North Borneo .....	4,589	183,952
New Zealand .....	1,509	118,510
Middle and Near East Countries .....	1,567	72,420
British Oceania .....	1,095	59,335
Netherlands .....	780	47,662
Philippines .....	670	47,542
Oceania, n.e.s. .....	1,022	47,195
U.S.A. .....	1,436	42,551
Central Africa (British) .....	309	27,272
Macao .....	704	26,540
Belgium .....	330	18,797
Malaya .....	137	15,262
Thailand .....	260	13,692
Indochina .....	200	12,650
United States Oceania .....	223	11,835
Burma .....	140	9,000
Egypt .....	149	8,590
Ceylon .....	264	5,725
European Countries, other .....	58	5,067
<b>Total .....</b>	<b>373,598</b>	<b>23,009,580</b>

This value of exports of rubber footwear constituted about 1% of the total value of Hongkong's exports in 1955. The export value of rubber manufactures in 1955 amounted to only 1/6 of the value of exported rubber footwear but the relaxation of the existing embargo affecting this trade with China could restore to this item its former role of one of the most important export positions of the Colony.



HONGKONG TEXTILE INDUSTRY

At the end of last year 25% of the 130,000 workers employed by registered and recorded factories and work-shops in HK and Kowloon were engaged in the manu-facturing of textiles, according to the HK Cotton Merchants' Association. Before 1949, China was the most important market for HK yarn and fabrics. In 1952, this trade stopped and beginning 1954, there was a growing influx of Chinese

cotton cloth; it is now offering competition to HK products in SE Asia. Pakistan was an important market for HK yarn in 1952; business declined in 1953 and in 1955, Paki-stan yarn was shipped here to compete with local yarn. Formerly, HK cloth was seldom shipped to UK; last year, UK imported large quantities of grey cloth from HK.

**Raw Cotton:** Import of raw cotton was steady during the past three years:

From	1953		1954		1955	
	Cwt.	HK\$	Cwt.	HK\$	Cwt.	HK\$
Pakistan	561,259	115,135,600	316,184	67,049,732	218,559	47,652,479
British E. Africa	65,726	15,730,299	118,047	29,874,003	169,477	39,166,492
Brazil	31,711	5,903,383	541,067	103,955,319	88,827	16,723,035
Burma	36,997	5,854,988	7,600	1,553,714	28,814	5,449,555
Egypt	12,160	3,249,153	2,259	590,460	6,920	1,919,862
Argentina	12,042	2,425,412	23,898	5,215,107	15,047	3,334,644
Middle Asia	22,200	4,434,875	5,097	1,148,314	44,065	10,955,028
India	1,920	268,406	3,375	612,771	183,876	29,999,141
U.S.A.	2,076	794,336	41,369	9,633,770	25,693	6,082,635
Others	6,260	1,414,076	17,020	3,102,331	15,117	9,599,838
Total	753,353	\$155,192,471	1,075,916	\$222,635,511	786,402	\$164,700,069

(Cwt. = 112 lbs.)

Of the total imports in 1955, 75% or \$120 million was imported from Sterling Areas. This is consequent to the fact that Hongkong made cloth comes under the preferential Tariff. Raw cotton imported was mostly consumed locally. Beginning 1955 re-exports increased:

To	1953		1954		1955	
	Cwt.	HK\$	Cwt.	HK\$	Cwt.	HK\$
Thailand	4,563	893,727	30,134	6,189,044	25,590	5,545,323
Japan	503	62,707	18,727	4,116,781	19,499	4,652,355
Macao	237	35,390	21	3,030	271	36,556
Taiwan	12,400	2,485,000	—	—	1,733	350,970
China	—	—	—	—	31,316	7,361,905
Others	18	4,656	571	119,497	1,635	263,448
Total	17,703	3,481,480	49,453	10,428,352	80,044	18,410,557

**Cotton Yarn:** Imports and eports of cotton yarn during the past three years decreased when compared with those of 1948-50; profit also reduced. However, the industry remained prosperous on increased local consumption. Re-exports declined because: (1) countries which formerly depended on HK for supply now set up their own mills; (2) Pakistan and Taiwan turned from consumers to suppliers; and (3) South Korea, Indonesia, Thailand and Philippines bought direct from producing countries. The re-export business of cotton yarn cannot be viewed with

optimism. Imported cotton yarn ranges from 16 counts to 32 counts, the lower counts come from India and others from England and Japan. Italian yarn came in great quantities three years ago, now it is almost extinct. Pakistan yarn never appeared in Hongkong before 1954, in 1955 the quantity imported was nearly equal to that from Japan. It was mostly of 20 counts and offered stiff competition in S.E. Asia. Chinese yarn re-appeared in 1955, comprising mostly of 16 counts and over 32 counts but not the 20 counts; imports in 1956 will be still bigger. Imports during the past three years, by countries, are:

	1953		1954		1955	
	lbs.	HK\$	lbs.	HK\$	lbs.	HK\$
U.K.	1,535,890	11,016,239	1,026,257	9,241,539	682,566	6,739,157
India	1,525,590	4,246,507	1,659,200	5,065,326	6,174,640	13,378,677
Egypt	2,391,858	6,207,930	5,418,000	13,982,442	—	—
Japan	1,094,775	5,117,166	3,543,810	14,286,694	1,923,100	8,426,692
Italy	2,471,103	8,550,277	341,066	1,014,939	23,587	259,960
Malaya	695,702	3,101,512	558,109	3,454,511	43,074	146,662
Holland	1,293,004	5,682,550	179,324	786,441	2,731	30,122
Belgium	223,373	883,286	20,000	101,024	880	10,128
China	45,291	234,200	185,193	690,228	3,504,961	9,114,999
Taiwan	—	—	364,400	1,305,360	—	—
Pakistan	—	—	—	—	1,562,804	3,592,923
Others	31,384	427,466	208,847	1,018,722	106,000	520,188
Total	11,055,969	\$45,467,148	13,502,206	\$50,942,226	13,301,934	\$43,219,508



Improvement in exports of yarn was slow due to strong competition in various markets and import restrictions and shortage of foreign exchange in some countries. Local yarn constituted approximately 80% of following exports:

To	1953		1954		1955	
	lbs.	HK\$	lbs.	HK\$	lbs.	HK\$
Indonesia	15,577,591	53,316,315	9,822,000	33,750,183	14,100,772	43,775,834
Pakistan	8,044,537	23,786,966	3,525,970	11,226,507	470,000	1,541,500
Burma	2,692,000	7,843,374	2,838,400	8,067,938	2,078,600	5,852,568
South Korea	2,338,320	7,160,365	9,322,773	28,448,345	2,350,400	6,899,005
Thailand	1,287,600	3,930,546	1,690,400	4,876,230	4,301,520	12,709,002
Philippines	1,254,129	3,744,718	1,510,500	5,085,820	1,176,170	4,197,409
Malaya	22,000	66,070	4,000	12,290	5,700	21,622
Taiwan	60,000	198,450	—	—	—	—
Vietnam	—	—	1,816,227	4,666,282	5,117,075	15,673,699
U.K.	—	—	—	—	2,470,070	8,799,662
Others	75,540	111,276	249,915	660,090	281,543	1,857,511
Total	31,351,717	100,158,080	30,770,185	96,780,395	32,351,850	100,327,802

Chinese yarn is offering stiff competition in Indonesia, Pakistan, Burma and South Korea. As a consequence exports of local product to these countries are on the decline. The following are exports of local yarn, by counts, for the years 1953, 1954 and 1955.

	1953		1954		1955	
	lbs.	HK\$	lbs.	HK\$	lbs.	HK\$
10' & under	3,930,751	8,950,036	2,151,962	5,057,321	2,544,366	5,845,749
20' & under	19,837,470	59,591,293	20,122,228	59,093,409	18,687,608	53,794,397
32' & under	1,219,646	4,803,806	2,225,954	8,595,147	2,967,233	10,959,207
42' & under	4,227,740	20,339,089	3,694,567	16,288,586	4,593,860	18,778,561
60' & under	26,000	127,600	10,000	45,180	8,150	54,107
Bleached & Combed	2,070,110	6,342,256	2,565,474	7,700,752	3,550,243	10,895,649
Total	31,351,717	100,158,080	30,770,185	96,780,395	32,351,850	100,327,802

**Cotton Fabrics:** Cotton fabrics woven locally are mostly exported to Southeast Asia. From 1955, U.K. and Africa absorbed a great quantity. This change made the spinning and weaving industry of Hongkong still more dependent on Commonwealth markets. Cotton fabrics imported in recent years were mostly sheetings, shirtings, drills and poplins. Sheetings were processed and dyed before export and what was not consumed locally of shirtings and poplins were also processed and exported. There were

no sheetings from China in 1953. The figures for 1954 and 1955 were 580,000 sq. yds to the value of \$480,000 and 29,970,000 sq. yds and \$23,170,000 respectively. The increase of poplin from Japan was also great: 1953, 4,030,000 sq. yds., —\$6,160,000; 1954, 7,170,000 sq. yds., —\$10,390,000; 1955, 17,370,000 sq. yds., —\$24,980,000. The most important sources of cotton fabrics were Japan, China and India followed by U.S., U.K. and Malaya. The following shows imports by countries for the years 1953, 1954 and 1955:

	1953		1954		1955	
	sq. yds.	HK\$	sq. yds.	HK\$	sq. yds.	HK\$
Japan	49,041,742	55,017,278	60,938,332	66,905,353	55,385,528	68,040,113
China	1,556,601	2,014,079	8,396,259	8,836,103	61,700,371	53,338,739
India	10,140,176	9,350,668	15,301,984	10,502,876	8,182,391	5,910,650
U.S.	3,348,825	9,019,619	4,166,591	10,922,488	3,647,620	9,566,707
U.K.	5,807,411	12,028,757	3,079,782	8,866,288	2,242,034	7,089,652
Malaya	21,032,748	20,491,448	8,928,106	10,620,956	2,674,003	3,436,893
Others	15,017,516	17,498,811	5,586,635	7,415,704	5,671,660	6,399,167
Total Import	101,945,019	125,470,660	106,408,689	124,967,668	137,503,607	153,781,921

For the past three years export of cotton fabrics (locally manufactured and imported) showed much progress but the markets shifted from SE Asia to U.K. and Africa:

	1953		1954		1955	
	sq. yds.	HK\$	sq. yds.	HK\$	sq. yds.	HK\$
U.K.	2,355,804	8,514,410	23,474,821	27,724,282	55,263,593	68,169,529
Indonesia	117,468,478	141,233,016	82,696,077	92,925,899	55,907,154	58,087,807
Malaya	12,993,637	14,014,914	9,873,759	12,788,414	17,440,444	24,062,538
Thailand	16,570,012	18,987,658	7,610,525	9,351,382	25,630,754	25,677,131
South Africa	7,687,964	6,629,310	16,409,658	15,771,900	8,991,496	10,250,587
Philippines	7,637,817	7,156,138	14,765,654	12,941,716	15,507,438	11,757,888
Australia	3,100,214	4,472,892	5,249,954	7,189,728	7,831,426	9,574,066
Africa	236,005	290,793	1,553,773	3,006,810	4,445,851	4,938,115
British East Africa	2,543,497	8,194,005	3,337,304	8,871,714	1,957,079	2,806,487
South Korea	40,941	85,859	5,820,350	8,822,770	3,382,051	5,234,550
Vietnam	84,346	161,001	1,287,995	1,882,895	9,913,024	13,438,939
British Central Africa	573,300	765,737	1,043,850	1,222,781	1,464,920	1,919,048
Others	8,981,125	12,553,248	9,074,289	9,477,437	19,740,263	10,187,741
Total	180,293,138	213,116,050	182,197,009	206,977,728	223,990,263	246,139,442



Exports of Hongkong cotton fabrics by countries for the past three years are:

	1953		1954		1955	
	sq. yds.	HK\$	sq. yds.	HK\$	sq. yds.	HK\$
U.K. ....	2,355,804	3,514,410	23,474,721	27,724,282	54,369,524	63,698,117
Indonesia .....	95,751,392	114,784,266	73,781,987	82,465,276	26,911,587	29,695,471
Malaya .....	4,011,580	5,583,866	4,619,425	5,626,887	19,018,513	18,122,233
Thailand .....	4,481,646	5,758,410	6,246,862	7,751,099	16,739,300	16,960,818
South Africa .....	7,688,124	6,629,220	16,395,707	16,795,064	8,088,696	10,244,201
Philippines .....	8,365,871	6,773,218	14,426,732	12,654,954	11,007,932	9,726,199
Australia .....	3,031,119	4,290,548	5,203,456	7,123,522	7,199,456	8,913,990
Africa .....	232,990	283,394	2,806,653	3,097,231	4,903,560	4,893,804
E. Africa .....	2,543,497	3,194,005	3,329,526	3,846,052	1,957,079	2,806,467
South Korea .....	41,189	82,806	4,767,650	6,258,151	1,681,100	2,568,897
Vietnam .....	15,170	22,570	364,188	379,099	1,654,826	1,956,238
Central Africa .....	573,300	719,736	1,038,038	1,217,607	1,445,647	1,896,051
Others .....	4,096,545	5,909,916	6,204,175	8,149,145	8,863,621	10,647,228
Total .....	133,588,227	157,546,365	162,595,120	181,488,369	164,730,831	182,145,715

Cotton fabrics exported comprised of mostly drills, sheetings and shirtings. Chinese and Japanese products were offering very stiff competition in SE Asia especially in Indonesia and Malaya. Exports of cotton fabrics, by items, for the past three years follow:

	1953		1954		1955	
	sq. yds.	HK\$	sq. yds.	HK\$	sq. yds.	HK\$
Drills (local) .....	74,892,386	91,355,520	78,378,541	95,215,980	62,180,774	79,163,405
" (imported) .....	5,125,416	7,256,795	1,050,347	2,669,463	12,991,520	15,321,637
Sheetings (local) .....	11,233,862	10,133,353	24,919,447	23,361,754	34,562,345	34,332,105
" (imported) .....	3,616,446	3,617,711	1,288,627	1,164,608	2,698,289	2,408,885
Shirtings (local) .....	12,729,905	14,204,246	7,088,622	7,003,990	14,175,435	12,884,648
" (imported) .....	16,422,200	17,552,499	5,678,906	5,758,530	15,808,984	14,353,191
Poplins (local) .....	86,306	166,503	1,056,117	1,912,080	6,961,939	8,808,452
" (imported) .....	2,138,848	3,257,179	983,562	1,687,856	4,609,802	7,117,856
Fabrics other than Grey (local) .....	31,339,262	38,007,060	48,886,537	51,897,111	43,618,119	43,552,512
" (imported) .....	19,302,025	23,696,005	10,165,967	12,822,897	22,867,892	23,949,917
Others .....	2,505,272	3,170,720	2,699,836	3,483,460	3,661,664	4,327,344
Total .....	180,292,136	213,116,050	182,197,009	207,977,728	223,990,263	264,139,442

### The Cotton Spinning Industry

The first modern spinning mill was established in 1947. Within a short period of nine years a total of 17 spinning mills came into existence. The order of their establishment is as follows:—1947—South China Textile Ltd; 1948—Kowloon Textile Industries Ltd, Nanyang Cotton Mill Ltd, Oriental Cotton Spinning & Weaving Co Ltd, Wyler Textiles Ltd, South Sea Textile Manufacturing Co Ltd, Lea Tai Textile Co Ltd; 1949—Shanghai Textiles Ltd (predecessor of The Textile Corporation of Hongkong Ltd), Pao Hsing Cotton Mill Ltd, East Sun Textile Co Ltd, New China Textiles Ltd, South Textiles Ltd, Hongkong Spinners Ltd; 1953—Paulum Spinning & Weaving Mills Ltd, Star Textile Ltd (Successor to Oriental Cotton Spinning & Weaving Co Ltd); 1954—Eastern Cotton Mills Ltd, Overseas Textiles Ltd, Maryland Textile Co (H.K.) Ltd.

The number of spindles in 1947 was 4,000, 1948, 90,000, 1949, 130,000, 1950, 187,000, 1952, 210,000, 1954, 250,000, 1955, nearly 300,000. The record in January 1956 is 306,212. It is estimated that there will be 317,434 spindles by end of 1956. In 1948 none of the members of the Hongkong Cotton Spinning Association possessed a single loom, but in January 1949 2,567 looms were installed in 9 spinning mills, with a production capacity of 7,756,900 square yards of 60 x 60 grey cloth (with 20 count yarns) per month. A considerable number of modern machinery and equipment have been installed in many factories with the profits gained in the past years. Some factories have installed fine combing machines. The number of workers has increased to 12,500 from 150 in 1947. Most skilled workers came from Shanghai. Auxiliary workers were recruited locally. These, mostly females, were engaged after a short period of training. Recently some mills have started training classes for apprentices, enrolling young men and women to ensure the continued supply of skilled hands.

Most local mills operate their own doubling machines and power looms. The products include 10 to 42 counts cotton yarn and 20 to 32 counts staple yarn. Some mills

produce 50 to 60 superior yarn. 80% of the total local production was 20 counts yarn possessing a breaking length of 80-90 lbs, comparing favourably with yarn of Japanese, Italian and Indian origins. Workers in the mills work on three shifts. Each spindle is capable of spinning 1.18 to 1.30 lbs. of 20 counts yarn per 24 hours. Monthly productions were 17,900 bales in June 1954, over 20,000 bales in December of the same year and 27,000 bales in Jan. 1956.

There were big fluctuations in the price of raw cotton in 1955. New York quotation for raw cotton in January 1955 was US\$0.3465 per lb; in April it dropped to US\$0.3299 and at the end of the year it was US\$0.3387. Price of Pakistan cotton was also on the downward trend. A total of 785,672 cwt. of cotton was imported in 1955, valued at HK\$220 million; 95% of it was consumed by local spinning mills. Imports were from: Pakistan, 217,759 cwt; India, 183,876 cwt; Uganda, 121,002 cwt; Brazil, 88,827 cwt; and U.S.A., 25,693 cwt.

During the period from 1948 to the first half of 1954, principal markets for HK yarn were Pakistan, Indonesia, Thailand, Korea and Burma. Minor markets were Philippines, Taiwan, Macao, Africa and Malaya. Beginning the second half of 1954, Pakistan and Taiwan changed gradually from markets for Hongkong yarn to suppliers of yarn. Indonesia was still first on the list of buyers and South Korea retained a comparatively high position. Demand from Vietnam, U.K. and Thailand improved but export to Burma declined. Exports of local yarn in 1955 totalled 32,351,460 lbs:

Country	Lbs.	\$
Indonesia .....	14,123,563	43,775,834
Vietnam .....	5,094,275	15,673,699
Thailand .....	4,263,920	12,709,002
U.K. ....	2,470,070	8,801,663
South Korea .....	2,300,800	6,869,485
Burma .....	2,078,500	5,852,568
Philippines .....	1,176,170	4,197,409
Pakistan .....	470,000	1,541,500



Prices remained steady in 1955. A bale of 20 counts yarn, weighing 400 lbs. was priced at F.O.B. \$1,200 in January, \$1,100 in July/August, \$1,200 in November, between \$1,170 and \$1,190 in December, with a maximum difference of \$100.

In spite of the spectacular progress, there are many difficulties to overcome. The formidable threat of Chinese yarn should not be belittled. Labour is cheaper here than that in Japan (10% lower), but labour in China is still

cheaper. Electric power is more expensive here than in Japan or China. The benefit derived from the Imperial Preference does not apply in the local market. Continuous progress is being made in S.E. Asia, the Middle and Near East, South Korea and Taiwan towards industrialization. Production of cotton yarn in these countries would soon be able to meet their own demand. HK mills should therefore spare no efforts in making technical improvements, in reducing overhead expenses and costs and in maintaining a high quality of the products. Members of the Hongkong Cotton Spinners Association are listed below:

Mill	No. of Spindles Installed	No. of Spindles in operation	No. of Additional Spindles Contemplated	No. of Workpeople employed	Capacity per month, in lbs. based on 20 counts
East Sun Textile Co Ltd. ....	12,528	12,528	2,592	480	400,000
Eastern Cotton Mills Ltd. ....	10,000	10,000	400	330	400,000
Hongkong Spinners Ltd. ....	40,240	40,240	—	1,777	1,600,000
Kowloon Textile Industries Ltd. ....	24,000	24,000	—	900	840,000
Lam Tai Textile Co Ltd. ....	10,920	10,920	—	480	440,000
Maryland Textile Co (HK) Ltd. ....	6,640	6,640	—	150	252,420
Nanyang Cotton Mill Ltd. ....	28,400	28,400	1,600	900	1,000,000
New China Textiles Ltd. ....	10,800	10,800	—	461	416,580
Overseas Textiles Ltd. ....	10,000	10,000	—	300	320,000
Pao Hsing Cotton Mill Ltd. ....	10,820	10,820	—	449	360,000
Pau Lum Spinning & Weaving Mills Ltd. ....	12,100	12,100	2,000	380	480,000
South China Textile Ltd. ....	12,000	12,000	2,400	440	450,000
South Sea Textile Manufacturing Co Ltd. ....	32,900	32,900	—	1,120	1,170,000
South Textiles Ltd. ....	10,080	10,080	—	245	330,000
Star Textiles Ltd. ....	17,000	17,000	2,400	500	500,000
The Textile Corporation of Hongkong Ltd. ....	20,728	20,728	—	716	624,000
Wyler Textiles Ltd. ....	37,056	34,620	—	1,594	1,342,000
Total .....	806,212	308,776	11,392	11,222	10,925,800

### The Weaving Industry

Due to inadequate equipment and bad management about 30 factories wound up business to avoid further losses. Up to end of 1955 there were approximately 200 factories of which 165 had a longer history and 35 were established after 1948. Although the number of weaving factories was reduced, the number of power looms in operation actually increased. At the end of 1955 there were 6,600 power looms compared with the 6,000 of 1954. 13,000 workers were employed by weaving factories at end of 1955. The highest number employed was 30,000 in 1947. This reflects the improvement of equipments.

Production in 1955 showed a slight improvement over 1954. The items produced were mostly grey drills, sheetings, shirtings, woven striped twill, and cotton flannel including certain bleached and printed fabrics. Over 90% of the local woven cotton fabrics was exported leaving less than 10% for local consumption. The total production for 1955 was 200 to 210 million sq. yds. This was the highest record so far. Exports by countries are:

Country	Sq. Yds.	\$
U.K. ....	54,369,524	63,698,117
Indonesia ....	26,911,587	29,695,471
Malaya ....	19,018,513	13,152,233
Thailand ....	16,730,300	16,950,818
South Africa ....	8,988,696	10,244,201
Philippines ....	11,007,932	9,726,199
Australia ....	7,199,456	8,913,990

### Exports by items are:

Item	Sq. Yds.	\$
Drills Ducks and Jeans (white or dyed) ....	41,667,740	51,787,031
Cotton fabrics (bleached, printed) ....	43,618,199	43,532,512
Sheetings, grey (unbleached) ....	33,860,368	33,638,018
Drills, Ducks and Jeans, (unbleached) ..	20,522,584	27,376,374
Shirtings (white) ....	11,310,905	10,205,112
Poplins ....	6,961,939	8,808,462
Cotton fabrics, grey, (unbleached) ....	3,232,589	3,424,593

Prices for local manufactured cotton fabrics registered very slight fluctuations which, however, did not correspond with those of cotton yarn. A piece of grey cloth, 60 x 60, 20s/20s was priced at \$40.50 at the beginning of the year, \$42.00 in May, \$36.50 in September and \$40.00 in Decem-

ber. Local weavers reported an average profit of \$1.00 per piece; some selling at a profit of \$3 and some at a loss. Attention should be paid to the increased shipment of Chinese piecegoods to the local market and the re-export of these to S.E. Asia. Most weavers are trying to reduce overhead and adopt conservative policies. Annual production will be maintained at 180 to 220 million sq. yds.

### The Knitting Industry

This is one of the oldest industries in Hongkong. Knitted articles are divided into 8 categories: (1) singlets including vests, underwear, sports-shirts, trunks; (2) hosiery, including cotton socks, rayon and nylon socks; (3) gloves, including plain and double-faced gloves, woollen and nylon gloves; (4) towels, including face and bath towels, bed-covers; (5) cotton thread for sewing and embroidery; (6) brand labels; (7) ribbons, including shoe-laces, silk and cotton strings, cordage wax-twine lamp wicks; and (8) woollens, including woollen underwear, swimming suits, woollen socks.

There are 275 registered knitting factories employing approximately 38,000 workers; there are also 6,000 auxiliary workers. Materials used include cotton yarn, spun rayon yarn, artificial silk, nylon and woollen yarn. The maximum annual production of singlets is 120,000 dozen; towels, 1,300,000 dozen; cotton gloves, 1,000,000 dozen pairs; woollen gloves, 200,000 dozen pairs; socks, 2,000,000 dozen pairs. 90% of the total production is for export; 80% found its market in Southeast Asia and 20% shipped to Europe and America. In 1955 a normal quantity was consumed in Malaya but due to restrictions of foreign exchange and strong competition of Chinese and Japanese products there was a considerable drop in exports to Indonesia. The decline in exports to Thailand in early 1955 was not very serious; in October however an increase of import duty on knitted goods was declared by the Thai Government and exports to that market were curtailed. The knitting industries in the Philippines and Burma thrived and to protect their own industries the Governments restricted imports from Hongkong. In face of these adversities the knitters made strong efforts to keep the market they had opened



HONGKONG NOTES AND REPORTS

New Hotels & Recreation Centres

In addition to the new Hongkong Hotel now under construction and the proposed hotel on the site of the former Oriental Buildings, there will be another first-class hotel at the junction of Carnarvon Road and Cornwall Avenue in Kowloon. It will have 10 storeys and cost about \$3 million. There will be a restaurant and a night club on the first floor while the whole of the second floor will be used as a convention hall. Third to eighth floors will contain hotel accommodation and on the ninth floor there will be a roof garden with a cocktail bar. Another investment company is planning to spend \$4 million for a large entertainment centre in Shatin. The purchase of about 300,000 square feet of land is now under negotiation. The main building will be circular in shape and in addition to an air-conditioned restaurant which will serve all types of food, there will be a night club with separate entrance and 12 private suites with attached bath. Surrounding the building will be a swimming pool, an outdoor dancing terrace, several tennis courts, a skating rink and a children's playground. In Tsimshatsui, demolition of the Star Theatre will soon begin and on its site a new first-run theatre will be built. The management has already signed contracts with film distributors for the showing of first-run pictures. At the corner of Nathan Road and Austin Road another \$1 million cinema has been proposed by the owner of the land who is now applying for the demolition of 15 old houses on the site.

Olympic-Standard Swimming Pool

Work will begin in December on the construction of an Olympic-size swimming pool at Victoria Park, Causeway Bay. Piling on the site has been completed. The new pool will be situated at the east end of the Park. The layout of the scheme comprises three open air pools—a swimming pool for adults, a children's pool and a paddling pool—with adjacent sunbathing areas, and a two-storey building which will accommodate the spectators' stands, changing rooms and showers, and a refreshment room. The spectators' stand will be able to seat 2,000 spectators under shelter. The swimming pool for adults will be constructed to international standards: 50 metres long and 20 metres wide with water depth varying from five metres at the deep end to slightly over a metre at the shallow end. There will be Olympic standard diving platforms at various heights and four springboards. Floodlighting will be installed for evening swimming. The large pool will use sea water but fresh water will be pumped in for competitive events. Water from the sea will be piped to a settlement bed, from where it will be fed to the filter plant for purification before use.

Ship-Building Industry

The Taikoo Dockyard and Engineering Co., Ltd. stated that there was a further improvement in business during the 3-month period ended September 30. All sections however are not yet working at full capacity. The Hongkong and Whampoa Dock Co., Ltd. also reported a marked increase in business during the period; the dry docks were vacant for one day only. Most sections are now working to capacity. The Taikoo Dockyard received an order from the China Navigation Company for another 390-foot "C" class cargo vessel. Taikoo also received an order from Alfred Holt & Co., for a new launch for use in Hongkong. Government awarded to Taikoo the tender for the construction of a 71½-foot steel mail and store lighter to be installed with six Y. E. M. Ruston diesel engines. The dockyard also received an order from the British Malayan Petroleum Company for two more marine oil drilling platforms, each comprising 650 tons of steel.

and to explore new ones. As a result, business remained normal on the whole while exports of gloves registered considerable improvement. Exports of four principal knitted products in 1955 are listed below:

	Hosiery	Singlets	Underwear	Outerwear
	(in thousands of HK\$)			
Malaya .....	1,629	33,388	881	228
U.K. ....	378	75	2,174	947
Thailand .....	3,490	6,629	3,189	3,634
Indonesia .....	138	7,911	259	19
Burma .....	128	8	227	—
Australia .....	13	258	309	9
Ceylon .....	215	626	816	364
India .....	48	—	32	—
New Zealand .....	78	65	65	134
North Borneo .....	37	661	48	50
Pakistan .....	21	—	20	2
South Africa .....	452	82	98	153
West Africa .....	603	963	2,498	577
East Africa .....	386	1,195	1,282	145
Central Africa .....	354	831	860	129
Africa (others) .....	1,277	1,254	3,985	934
B. West Indies .....	389	831	1,203	100
Other Brit. Poss. ....	627	1,061	1,290	182
Oceania (Brit.) .....	30	198	382	32
Oceania (USA) .....	13	5	65	127
Oceania (others) .....	76	250	306	23
Vietnam .....	181	135	259	172
South Korea .....	33	—	3	6
Taiwan .....	21	—	54	6
Philippines .....	1,636	423	172	148
Gen. Asian Coun. ....	33	18	40	5
Mid. & Near East .....	741	430	510	93
Macao .....	199	1,854	532	46
U.S.A. ....	40	1	100	—
Central America .....	308	111	489	32
South America .....	43	98	208	18
France .....	4	139	117	—
West Germany .....	5	—	—	—

At the Hongkong and Whampoa Docks, the 105-foot M.V. "Melanesian" was completed during the period and handed over to the Western Pacific High Commission. An order for a 52-foot landing craft was received from the Royal Electrical & Mechanical Engineers as well as orders for two teak wood launches for Hongkong owners. Work on a waterboat for Singapore owners is proceeding satisfactorily. Facilities are being provided at the Hongkong and Whampoa Dockyard for a U.K. firm to build a concrete pump house for the Hongkong Electric Company. After being launched the pump house will be towed across the harbour and sunk in position.

The Hongkong Shipyard maintained their normal level of repair work during the quarter. The 117-foot double-ended passenger ferry "Man Foon" was launched at the end of September. The Hongkong and Yaumati Ferry Company further ordered two 97-foot single-ended steel passenger ferry vessels and one wooden 79-foot passenger ferry. At the Cheoy Lee Shipyard 14 cargo vessels and 5 pleasure craft are under construction, including a 140-foot twin screw steel cargo and passenger vessel for the Government of the Gilbert and Ellice Islands, one 85-foot diesel tug for service in Cambodia, and two 120½-foot bulk oil lighters for

Cambodia. Cheoy Lee completed 8 vessels during the quarter: 4 sloops for export to the United States; 2 steel cargo vessels for Korea owners and 2 bunkering lighters for Hongkong owners. The shipyard of the Hongkong Transportation Co. completed 24 of 30 oil barges for Burma, six 350-ton steel barges and two 75-foot diesel tugs for Korea, and one 100-ton bulk oil and dry cargo barge for Hongkong. Construction work is in progress on one 200-ton twin screw stone carrier for the Government of Sarawak, two flat top barges for Dungun owners and one 80-foot pontoon for a 100-foot pile rig for Malaya. A 123-foot ocean-going tug is being re-engined and re-fitted for Panamanian owners. At the Kinley Shipyard, five 60-foot wooden motor fishing vessels for South Korea were completed during the quarter. In addition, the yard received an order for two 76-foot wooden fishing trawlers from Korea. The Ngai Hing Shipyard received a contract from the Government of Sarawak for a 48-foot general service launch.

#### Shipping Statistics

During the July-September period, 11,601 vessels (Classes I to VI) were licensed or relicensed by the Marine Licensing Office; 13 were motor trading junks and 362 were motor fishing junks. In addition, 171 launches and motor boats were licensed or relicensed. There was an increase of 137 in the number of mechanised fishing vessels; at the end of September, there were 1,206 mechanised fishing vessels.

British ocean-going vessels entering port during the quarter totalled 372, which is 29 less than the preceding quarter. The number clearing port was 370, a decrease of 25. British river steamers entering port totalled 236 as compared with 231 and those clearing port numbered 235, four less than in the previous period. Foreign ocean-going vessels entering port numbered 616, an increase of 45; those clearing port totalled 573, an increase of 36 over the previous quarter. Some 174,556 passengers entered the Colony by ocean-going vessels and river steamers as compared with a departure of 161,477 in the three-month period. British and foreign ocean-going vessels and river steamers discharged a total of 870,931 tons of cargo as compared with 864,111 tons in the previous quarter. Cargo loaded totalled 457,363 tons, representing an increase of 5,692 tons over the preceding period.

#### Resettlement

During the quarter July-September, 13,000 persons (3,094 families) were offered resettlement. The majority of these squatters were cleared from land required for development. Most of the resettlement operations took place in Northern Kowloon and nearly all the families involved moved into the new seven-storey blocks at the Li Cheng Uk Estate. Three operations took place at Tsun Wan and 1,232 persons were offered resettlement in the Tai Woh Hau Resettlement Area.

At the Li Cheng Uk Estate, the remaining 3 blocks in Stage II were completed between July and September. Construction of the 4 blocks in Stage III (1,436 rooms) is now in progress, and is expected to be completed by March, 1957. The first two blocks of the Hunghom Estate (total 1,848 rooms) were completed in September. The third block is now under construction and is due to be completed in December, 1956. Site formation for the fourth and last block is still in progress. At Shek Kip Mei, the third and last block in Stage I (1,295 rooms) was completed in August. Good progress has been made with the demolition of the 22 temporary two-storey buildings which occupied the site required for the 6 seven-storey blocks in Stage II (2,548

rooms). Construction of the first of these blocks began last month and all 6 blocks should be completed between January and April, 1957. Tenders have been called for the construction of the Lo Fu Ngam Estate (1,510 rooms—8 blocks). It is hoped that all 8 blocks would be completed between March and June, 1957.

\$901,066 was collected in rent for rooms in the three Resettlement Estates and \$251 had to be written off as irrecoverable arrears of rent. The corresponding figures for the previous quarter were \$798,216 and \$277. One family was evicted.

#### STATISTICS OF POPULATION IN RESETTLEMENT AREAS AND ESTATES

Resettlement Areas/Estates	Population as at 30.9.56				Increase or decrease from 30.6.56 to 30.9.56
	Malés	Females	Children	Total	
A. Temporary Cottage Areas (one-storey cottages and huts) .....	29,338	21,762	27,055	72,155	Plus 829
B. Emergency Accommodation at Shek Kip Mei (Two and Three storey buildings)	9,328	8,884	11,857	30,069	Minus 2,089
C. Multi - Storey Estates (Six and seven storey buildings)					
Shek Kip Mei .....	9,086	8,077	8,434	25,597	Plus 2,703
Li Cheng Uk .....	12,424	10,307	10,043	32,774	Plus 10,730
Tai Hang Tung ...	14,452	11,841	11,585	37,878	Plus 182
Total for Multi-storey Estates ..	35,962	30,225	30,062	96,249	Plus 13,615
Grand Totals ...	68,628	60,871	68,974	198,473	Plus 12,355

#### STATISTICS OF PREMISES IN RESETTLEMENT AREAS AND ESTATES

Resettlement Areas/Estates	Domestic and Shop Premises occupied or ready for occupation on 30.9.56			Total
	Premises occupied on hire/purchase or rent agreement (other than Government owned premises)	Premises owned by the occupier	Premises owned by Government and let for rent	
A. Temporary Cottage Areas (one-storey cottages and huts) .....	2,188	10,769	896	13,853
B. Emergency Accommodation at Shek Kip Mei (two and three-storey buildings)	—	—	4,803	4,803
C. Multi - Storey Estates (six and seven - storey buildings)				
Shek Kip Mei .....	—	—	4,254	4,254
Li Cheng Uk .....	—	—	6,548	6,548
Tai Hang Tung ...	—	—	6,867	6,867
Totals for Multi-Storey Estates ..	—	—	17,664	17,664
Grand Totals .....	2,188	10,769	23,363	36,320

#### School Enrolment

A total of 324,593 pupils were studying in all types of schools throughout the Colony at the end of September, an increase of 25,984 over the total for the previous quarter. The number of students attending Government schools increased by 5,953, subsidized schools by 7,962 and private schools by 12,259 while enrolment in grant-in-aid schools showed an increase of 998; enrolment in special afternoon classes declined by 1,188.



## HONGKONG STATISTICAL REPORTS

August 1956

## Vital Statistics:

	August	Total (Jan.-Aug.)
Birth .....	9,101	59,299
Death .....	1,675	13,137

## Retail Price Indices:

	Aug. 1956	Aug. 1955
	(March 1947=100)	
Food (including drink) .....	133	126
Rent .....	119	119
Clothing (including footwear) ..	90	92
Fuel .....	92	89
Electric Light .....	59	60
Cleaning .....	93	90
Education .....	140	138
Tobacco & Cigarettes .....	113	113
Doctors & Medicines .....	105	106
Fares .....	100	100
Household Equipment .....	109	111
Hair Dressing .....	122	122
Newspapers & Stationery .....	153	153
Shoe Repairs .....	78	78
Rates .....	100	100
General Retail Price Index .....	122	188

## Hongkong Clearing House Figures:

June	July	August
\$1,242,005,298	\$1,281,968,496	\$1,244,991,243

## Banknotes in Circulation:

	August
The Hongkong & Shanghai Banking Corporation .....	\$675,742,000
The Chartered Bank of India, Australia & China .....	50,128,565
The Mercantile Bank of India, Limited .....	4,008,200
<b>Total</b> .....	<b>\$729,878,765</b>

## Production of Electricity and Gas:

	August	Total (Jan.-Aug.)
Electricity (kw hrs) .....	57,925,762	429,077,073
Gas (cubic feet) .....	45,995,500	406,102,700

## Food Supply:

	August	Total (Jan.-Aug.)
Animals Slaughtered (head) .....	60,153	577,949
Fish Marketed (tons) .....	3,210	26,022
Vegetables Marketed (tons) .....	4,096	53,483

## Production of Cement:

	August	Total (Jan.-Aug.)
Cement (metric tons) .....	9,015	86,871

## Registration of Factories:

	August	Total (Jan.-Aug.)
Applications Received .....	40	392
Cancelled and (Refused) ..	15	133 (12)
Certificates Issued .....	43	327

## Building Construction in August:

	Number	Cost in HK\$	
		Building	Site Work
City of Victoria —			
Office and Shops .....	1	43,967	—
Houses and Flats .....	17	1,513,500	—
Island outside Victoria —			
Factories and Godowns .....	1	26,200	—
Houses and Flats .....	31	1,534,987	37,750
Other (including mixed accommodation) .....	3	153,450	—
Kowloon and New Kowloon —			
Factories and Godowns .....	3	270,660	—
Offices and Shops .....	1	7,998	—
Houses and Flats .....	131	8,142,916	31,018
Other (including mixed accommodation) .....	4	437,919	9,000
<b>Total (August, 1956)</b> .....	<b>192</b>	<b>12,131,597</b>	<b>77,768</b>

## Kowloon-Canton Railway (British Section):

Passenger:	August	Total (Jan.-Aug.)
Upward .....	171,826	1,486,080
Downward .....	157,756	1,472,907
Concession Tickets ..	16,042	126,608

## Freight:

Upward .....	2,266,300 kgs	12,413,970 kgs
Downward .....	18,191,100 kgs	123,211,260 kgs

## Total Number of Vehicles &amp; Drivers Licensed:

	In August	Total on Aug. 31
<b>Vehicles:</b>		
Trams .....	—	138
Motor Cycles .....	42	1,650
Private Cars .....	312	18,703
Taxis .....	3	344
Public Hire Cars .....	5	283
Motor Buses .....	12	612
Public Commercial Lorries .....	21	1,394
Private Commercial Lorries .....	42	1,973
Government Cars & Lorries .....	31	819
Lorries (Kai Tak Airport Devel.) .....	3	76
Lorries (Construction Site) .....	16	287
Rickshaws (Private) .....	—	24
"    (Public) .....	—	853
Public Chairs .....	—	6
Tricycles (Goode) .....	2	790
Trailers .....	—	8

## Drivers:

Motor Car Drivers .....	950	57,567
Const. Site Drivers .....	29	374
Driving Instructors .....	32	239
Rickshaw & Tricycle Drivers .....	80	3,592

## SHIPPING

FOREIGN TRADE CONDUCTED BY JUNKS AND LAUNCHES  
UNDER 60 TONS

	August		Total (Jan.-Aug.)	
	Inward	Outward	Inward	Outward
Tonnage of Cargo: Junks ...	81,311	9,796	608,223	46,242
Tonnage of Cargo: Launches .	8,649	1,976	30,575	11,111
Total .....	84,960	11,772	638,798	56,353
Tonnage of Vessels: Junks ..	97,862	96,734	768,778	752,936
Tonnage of Vessels: Launches .	9,410	9,448	68,877	68,633
Total .....	107,272	106,182	827,655	821,569

## COMMERCIAL CARGO TONNAGES

	August		Total (Jan.-Aug.)	
	Discharged	Loaded	Discharged	Loaded
Ocean-going Vessels (tons) ...	308,441	161,595	2,367,273	1,203,132
River Steamers (tons) .....	1,061	1,212	7,553	11,340
Total (tons) .....	309,522	162,807	2,374,826	1,214,472

## AVIATION

Arrivals and Departures of Aircraft,  
Passengers and Freight at Kai Tak

Aircraft:	August	Total (Jan.-Aug.)
Arrivals .....	307	2,441
Departures .....	306	2,438
Total .....	613	4,879

Passengers:		
	August	Total (Jan.-Aug.)
Arrivals .....	7,168	53,222
Departures .....	7,656	59,051
Total .....	14,824	112,273

Freight:		
	August	Total (Jan.-Aug.)
Imports (kilogrammes) ....	60,050	477,908
Exports (kilogrammes) ....	167,691	1,321,383
Total .....	227,741	1,799,291

## HONGKONG'S TRADE WITH OTHER COUNTRIES IN EAST ASIA

## Imports

## Exports

	August		Total (Jan.-Aug.)		August		Total (Jan.-Aug.)	
	\$	% of Total Trade	\$	% of Total Trade	\$	% of Total Trade	\$	% of Total Trade
Burma .....	3,549,950	.92	27,691,250	.90	2,039,218	.77	16,075,357	.74
Ceylon .....	546,845	.14	2,744,267	.09	1,237,405	.46	11,321,664	.52
Cambodia, Laos & Vietnam .	6,190,892	1.61	41,364,731	1.35	11,827,833	4.44	93,721,401	4.33
India .....	1,933,581	.50	39,859,543	1.30	2,243,808	.84	14,188,512	.66
Pakistan .....	5,136,886	1.33	78,025,540	2.54	309,563	.12	3,848,109	.18
Malaya .....	13,986,485	3.63	114,560,425	3.73	32,219,726	12.09	251,050,242	11.61
Philippines .....	5,393,409	1.40	22,241,200	.72	4,674,388	1.75	29,438,795	1.36
Thailand .....	16,922,798	4.39	123,215,238	4.01	15,041,198	5.65	232,152,255	10.73
Indonesia .....	1,348,307	.35	17,563,463	.57	36,291,456	13.62	416,855,262	19.27
China .....	83,888,888	21.77	681,191,861	22.19	11,805,959	4.43	78,657,645	3.64
Taiwan .....	3,781,496	.98	33,826,896	1.10	3,840,609	1.44	31,268,901	1.45
South Korea .....	90,201	.02	11,197,031	.36	10,664,013	4.00	78,856,776	3.65
Total Trade of Hongkong .....	385,376,858	100	3,070,414,479	100	266,403,292	100	2,163,095,919	100



## HONGKONG SHIPPING

**Ocean and River Steamers over 60 tons net Entering and Clearing the Port in September, 1956**

	September				Total (Jan.-Sept.)			
	Entered		Cleared		Entered		Cleared	
	No.	Ton	No.	Ton	No.	Ton	No.	Ton
British	195	354,304	192	347,552	1,952	4,070,919	1,937	4,033,868
American	20	107,130	20	107,130	172	956,829	172	956,829
Burmese	—	—	—	—	4	11,380	4	11,380
Cambodian	1	557	—	—	8	4,456	7	3,899
Chinese	16	6,504	20	7,755	137	41,867	137	42,460
Danish	20	65,328	20	66,647	159	523,889	159	523,889
Dutch	16	70,146	14	64,050	165	714,129	163	707,043
Finnish	—	—	—	—	2	5,309	2	5,309
French	10	34,209	13	41,505	87	291,132	82	284,731
German	4	11,509	3	10,997	36	165,837	35	165,325
Indian	1	3,390	1	3,390	8	24,556	8	24,556
Indonesian	—	—	—	—	1	4,888	—	—
Italian	1	6,586	1	6,586	10	51,985	10	51,985
Japanese	45	114,327	49	114,472	324	892,567	323	892,438
Korean	4	7,188	4	7,188	21	30,642	22	30,684
Liberian	2	4,245	2	4,245	22	46,700	22	46,700
Norwegian	34	106,072	35	112,187	316	869,813	314	862,057
Pakistan	—	—	—	—	1	4,297	2	8,603
Panamanian	13	27,320	15	30,066	112	195,471	111	196,654
Philippine	2	8,653	4	12,607	22	52,783	20	50,320
Polish	1	4,333	—	—	3	12,203	1	2,835
Portuguese	—	—	—	—	4	18,507	4	18,507
Ryukyu	—	—	—	—	1	853	1	853
South African	1	4,587	1	4,587	1	4,587	1	4,587
Swedish	6	19,933	6	17,994	69	215,436	68	211,229
Thailand	1	1,672	1	1,672	3	5,016	3	5,016
Turkish	—	—	—	—	1	2,291	1	2,291
Vietnamese	1	1,586	—	—	7	5,412	6	3,826
Yugoslavian	4	9,502	4	9,502	12	23,469	12	23,469
	398	969,081	405	970,132	3,660	9,247,223	3,627	9,171,346

**HONGKONG AVIATION**

### Air Traffic in September, 1956

	Departures			Arrivals		
Points of Call	Passengers	Freight (Kilos)	Mail (Kilos)	Passengers	Freight (Kilos)	Mail (Kilos)
United Kingdom .....	396	10,198	1,735	187	9,329	5,218
Europe .....	186	5,728	433	122	4,087	1,038
Middle East .....	254	5,886	2,823	195	3,154	795
Calcutta .....	88	4,194	849	234	472	413
Rangoon .....	82	6,537	377	187	336	326
Bangkok .....	1,035	16,012	1,176	1,149	8,650	3,017
Cambodia, Laos & Vietnam .....	513	25,329	215	292	2,280	43
Singapore .....	607	15,206	6,758	523	4,761	2,742
Philippines .....	1,444	13,617	2,014	1,574	1,537	1,013
Australia .....	93	2,289	210	79	5,028	737
United States .....	355	7,833	2,996	115	3,855	2,476
Honolulu .....	131	1,881	84	70	273	304
Canada .....	212	1,476	699	38	237	271
Japan .....	1,362	4,716	10,983	1,552	10,483	2,618
Formosa .....	633	34,447	1,307	600	2,822	1,085
South Korea .....	149	4,656	338	161	34	225
Macau .....	—	7,036	—	1	—	—
Okinawa .....	59	5,292	108	76	688	—
Total .....	7,599	172,333	33,105	7,155	58,026	22,322
Direct Transit .....	897	23,101	—	897	23,101	—
Total Aircraft Departures =	296					
Total Aircraft Arrivals =	295					

## FINANCE &amp; COMMERCE

HONGKONG STOCK AND  
SHARE MARKET

Whenever there arises an international commotion Hongkong is, as must be expected in an inter-related world, affected and the share market serves then as a more or less reliable barometer of opinions and emotions here. The Suez incident—borrowing an expression from the erstwhile Imperial Japanese Army—has been accompanied by many threats and bluster; at one time the Kremlin made many of us extremely jittery, and fears were as high as share prices were low. To make it still worse the faithful Peking echo, within a day or two after Moscow thundered, put in its five yuan worth of bluff—volunteers to Egypt, demands on the Anglo-French allies, denunciation of Israel, and all that.

The share market, not unduly aroused, nevertheless felt the impact of so many and so harsh words, and sellers came out one after the other. As it always happens here, in our one-way market, whenever sellers are predominant, buyers apparently lose heart and thus a decline is witnessed which is unnecessary and not reasonable. From the antics of our market in the past one can learn the lesson that nervous selling will always cause considerable losses to holders; that will be often observed in exchanges abroad but not so methodically as is the case here when buying support is so tardy and there often are no buyers at all with the effect that a scrip holder for a number of days cannot liquidate. The apt expression for our market has been coined as 'narrow', and narrow, indeed, is this market during emergency days.

The price decline in terms of US\$ has been considerable as a result of the sterling weakness in New York and the subsequent mark-up in local rates of TT New York. Usually a share market will show firmness when the currency of the land is declining but we witnessed in Hongkong recently that in spite of the lower value of HK\$ in terms of free market exchange of US\$, the share quotations dropped continually. If a shareholder had liquidated prior to the Israeli dash into Sinai and had invested the proceeds in TT New York, and then last week had switched over from his US\$ funds into his old share holdings, he would have scored a remarkable gain in his assets.

The outlook of the market is determined by Near East and other "tepid war" developments. It seems now that Peking will not engage in more 'action' than Moscow, and the collective leadership, which is a rather mixed-up junta, is now again out to reestablish the coexistential climate. Picasso's dove will reign supreme, once again, and the rockets, which anyway the Russians don't possess, won't fly—the dove will. Consequently there should be no apprehension about local shares dipping further—unless some companies are not prudently managed.

levels thus saved quotations from sharp drops. A large number of investors however assumed a wait-and-see attitude. On Friday, selling pressure tailed off with the entry of the vanguard of the United Nations police force into the Suez Canal area. Many shares recovered but HK Banks, Providers, Trams, Yaumatis, Star Ferries, HK & FE Investments, Cements, Amal Rubbers closed lower than the previous week. During the week, Lands, Realities and Hotels were unaffected by the development in the Middle East because the local real estate market remained firm throughout the period.

Shares	Nov. 9	Last Week's Rates			Ups and Downs
		Highest	Lowest	Closing	
HK Bank	1605 s	1605	1575	1575	—\$30
Union Ins	975 b	980	980 n	980 n	+\$5
Wheelock	6.70 s	6.70	6.55	6.50	steady
HK Wharf	90 b	90 b	88 b	90 b	steady
HK Dock	44 s	44	43.50	44	firm
Provident	13.70 s	13.70	13.30	13.30	—40¢
Land	61.50	62.50	61.50	62	+50¢
Realty	1.325	1.35	1.30 b	1.35	+2½¢
Hotel	14.60	14.80	14.40	14.60	firm
Tram	22.70	22.60	22.50	22.50	—20¢
Star Ferry	142 n	142 n	141 s	141 n	—\$1
Yaumati	102	102	99	101	—\$1
Light	23.40	23.70	23.20	23.50	+10¢
Light (1949)	23 n	23.20	22.80	22.90	—10¢
Electric	30	30.75	30	30.50	+50¢
Telephone (o)	23.80	24	23.80	23.80	firm
Telephone (n)	22.80	23 s	22.80 n	22.80	firm
Cement	37.25	38 s	36.50	37	—25¢
Dairy Farm	14.30	14.50	14.50	14.50	+20¢
Watson	13.20	13.50	13.20 b	13.20 b	steady
Yangtze	6 s	6 s	5.80	6 s	steady
Allied Invest	5 s	5 s	4.95 n	5 s	steady
HK & FE Invest	10.40 n	10.40 s	9.70	10.10 s	—30¢
Amal Rubber	1.45	1.45 s	1.35 s	1.40	—5¢
Textile	4.10 n	4.10	4.05	4.05	—5¢
Nanyang	7.50 s	7.50 s	7.50 s	7.50 s	steady

The real estate market has taken hardly any note of the disturbances thousands of miles away but focussed its attention solely on what our 'great neighbour' is contemplating to do. If Peking has no designs on Hongkong—and it would seem from all accounts and even political astrology that this Colony (excuse the word, please!) has not been selected for 'liberation'—then there is every reason for joyfully carrying on as heretofore. Prosperity unlimited can be our lot but trees, as we know, don't grow into the sky.

**Monday:** Holiday. **Tuesday:** Although market conditions were quiet there was a sprinkling of fractional gains. Business amounted to \$428,000. **Wednesday:** The market ruled steady. Trading totalled \$300,000. **Thursday:** Prices in most sections were marked down. The turnover amounted to \$650,000. **Friday:** Sentiment appeared slightly better with the apparent easing of tension in the international situation; prices, in most sections, showed some improvement with utilities leading the recovery. The turnover amounted to \$775,000.

\* \* \* \* \*

The prolonged uncertainty in the Middle East created more selling pressure in the local stock exchange during the last week, forcing prices further down. On the other hand, many speculators absorbed popular shares at low

A. R. Burkill & Sons (Hongkong) Ltd., the General Managers of Amalgamated Rubber Estates Limited, announced that the output from the Estates for October 1956 amounted to 637,424 lbs.



## HONGKONG EXCHANGE MARKETS

November 12th to 17th, 1956

How serious is the 'situation'? Like the free market sterling/US\$ crossrate it has been exaggerated which is no wonder reading all the excited statements by governments and their inspired agencies. The Near Eastern crisis is about to be buried and the whole shemuzzle there committed to oblivion. Every side will cry victory and newspapers will be filled, for a time, with stories of the 'now it can be told' variety. The words Suez and Egypt will appear in print for a long time; so will Hungary.

But no third world war is in the offing and, what is of principal concern to us here, the Far East will remain in the same state of suspended animation as for the past several years. Peking is not asking for trouble, and the US is still determined to maintain its armed watchfulness lest Peking changes its mind. Hongkong has no worry. Its security remains what it was, and that is anybody's interpretation. Because of the Suez episode the Peking regime won't kick up any dust in the Far East. Nobody else will—at least for some good time to come. So, after all, Hongkong continues to enjoy the same degree of security and the same depth of prosperity as before.

As long as overseas Chinese in Southeast Asia remit their funds here, for safekeeping in HK, for investment here, for onward transmission to Red and Blue China, all is well, and a little capital flight (to Canada, US, Australia etc.) won't make any difference in the overall financial picture. Construction is buoyant and land prices continue at record level. There is evidence for rising anti-Chinese sentiments in all Southeast Asian countries, and that augurs well for higher inward remittances and consequently advancing venture capital in all sectors of HK's economy. From Peking's point of view, Hongkong grows ever more in financial importance, and it is in the interest of the People's Republic to keep Hongkong as it is. Free China, one trusts, will also welcome, from their point of view, the unharmed existence of Hongkong. The slogan 'no politics but money-making' can be approved by Peking and Taipei as circumscribing aptly the raison d'être and the ambition of the people living in this unusual British colony.

The interruption, to some extent, of the trade route with Europe has caused slightly higher prices which have not,

so far, affected cost of living. The advancing TT New York rate has however had some adverse effect on cost of merchandise. The free market cross rate in New York should soon return to more reasonable levels. Last week's local cross was US\$2.47 to 2.50 against the parity of 2.80. Such rates cannot but induce in the faint-hearted investor a feeling of terror, and when speculation aggravates the exchange position by forward buying and for a short period stalling on sales, capital transfers to the US must be expected. Much of the money recently sent to America will, when the present crisis is over, come back to HK; but a few millions will, of course, stick over there, down under and cetera.

\* \* \*

### U.S.\$

Nov.	T.T. High	T.T. Low	Notes High	Notes Low
12				
13	\$641½	639	638½	636½
14	643	641	640½	638½
15	648½	644	647½	641½
16	646	645½	644½	643
17	644½	643	642½	641

D.D. rates: High 646½ Low 637.

Trading totals: T.T. US\$2,970,000; Notes cash US\$510,000, forward US\$ 2,890,000; D.D. US\$430,000. The market strengthened further on the continued drops of the cross rate. It looked as if the bottom has not been reached and the true level of the Pound Sterling not yet found. In the T.T. sector, gold and general merchants, switch exchange operators and speculators eagerly bought and funds were offered from Korea, Japan, Vietnam and the Philippines. In the Notes market, speculative activity was slightly reduced on some profit-taking liquidations, people being afraid of a reaction to come. Interest for change over favoured sellers and aggregated HK\$7.90 per US\$1,000, while positions taken averaged US\$4½ million per day. In the D.D. sector, the market turned quiet.

Yen: Cash quotations were \$1,542.50—1,497.50 per Yen 100,000, and changed over interest aggregated \$4.60 per Yen 100,000 in favour of buyers.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.7625—1.75, Japan 0.0153—0.0149, Malaya 1.875, Vietnam 0.05649, Thailand 0.2832. Sales: Pesos 360,000, Yen 115 million, Malayan \$320,000, Piastre 12 million, and Baht 6 million.

Agreed Merchant T.T. rates: Selling and buying per foreign currency in HK\$: England 16.202—16.10, Australia 18.016—12.757, New Zealand 16.202—15.867, United States 5.839—5.755, Canada 6.0836—5.9925, India

1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.889—1.871. Selling per foreign currency unit in HK\$: South Africa 16.236, Switzerland 1.3322, Belgium 0.11696, West Germany 1.3913.

Chinese Exchange: People's Bank Yuan notes quoted at \$1.50 per Yuan. Taiwan Bank Dollar notes quoted at \$164—163 per thousand, and remittances at 162—161.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 16.10—16.04, Australia 12.50, New Zealand 15.00, Egypt 11.00, East Africa 15.25, West Africa 12.50, South Africa 16.25, India 1.175—1.15, Pakistan 0.89—0.88, Ceylon 0.95, Burma 0.48, Malaya 1.845—1.84, Canada 6.63—6.56, Cuba 4.80, Philippines 1.805—1.7975, Switzerland 1.39—1.38, West Germany 1.39, Italy 0.0095, Belgium 0.105, Sweden 1.00, Norway 0.70, Denmark 0.77, Netherlands 1.43, France 0.01565—0.01515, Vietnam 0.056—0.0525, Laos 0.061—0.60, Cambodia 0.085—0.084, North Borneo 1.50, Indonesia 0.184—0.1835, Thailand 0.275—0.2735, Macau 1.00—0.998.

### Gold Market

Nov.	High .945	Low .945	Macau
12			
13	\$281½	280½	
14	281½	280	
15	286½	281½	Low 290½
16	284	282½	293 High
17	281½	280½	

The opening and closing prices were 281½ and 281½, and the highest and lowest 286½ and 280. The market was steady; prices jumped up at a time but levelled down on heavy stock and small demand for export. Interest for change over favoured sellers and aggregated \$3.50 per 10 taels of .945 fine. Tradings averaged 9,800 taels per day and amounted to 49,000 taels for the week, in which 21,850 taels were cash deliveries (2,750 taels listed and 19,100 taels arranged). Imports were all from Macau and totalled 16,000 taels; one shipment of 16,000 fine ounces arrived there in the week. Exports amounted to 9,500 taels (4,500 to Singapore, 3,500 to Indonesia, 1,000 to Vietnam, and 500 to Korea). Differences paid for local and Macau .99 fine were HK\$15.50—15.00 and 13.00—12.70 respectively per tael of .945 fine. Cross rates worked were US\$ 37.95—37.90 per fine ounce, and contracts of 32,000 fine ounces were concluded at US\$37.92 C.I.F. Macau. US double eagle old and new coins quoted at \$290—285 and 243—238 respectively per coin and Mexican gold coins at \$301—295 per coin.

Silver Market: 800 taels of bar silver were traded at \$6.20—6.15 per tael; 500 dollar coins at \$3.96—3.95 per coin; 500 twenty-cent coins at \$3.05—3.04 per five coins.



SINGAPORE SHARE  
MARKET

November 3—9, 1956

Due to Middle East developments, the week's volume of business was small. Industrials generally remained steady. Tins were marked down whilst Rubbers were irregular. Towards the close, with better news from the Suez area, some increased inquiry in all sections was evident.

There was no real selling pressure in the Industrial section and price movements were small. The Singapore Cold Storage final dividend of 10% which makes the year's distribution at 15% the same as for the previous year, raised the shares to \$1.64 though at the close business was done at 4 cents less. Fraser & Neave were steady at \$2.05. Wearnes at \$3.22½, Metal Box at \$1.72½ and Straits Times at \$2.95. Wm. Jacks had buyers at \$2.90, United Engineers at \$8.60 and Hammers at \$1.57½ ex the capital issue. Gammons continued to fluctuate and after business at \$2.10 had sellers at \$2.07½. Malayan Breweries were in demand at \$3.00, Sime Darby at \$2.02, Straits Steamship at \$15½ and Straits Traders at \$25½. Malayan Collieries were not helped by the Report despite the accretion of very considerable liquid assets disclosed.

Kuchai had a considerable turnover and recovered again to \$2.50 buyers. Aokam were active at \$1.57½ and Sungei Way closed buyers at \$3.85.

Kuala Kampar, as anticipated, have increased the interim by 1/- to 4/- and closed firm at 39/4½. Lower Perak, with production remaining at a low level, after falling to 16/9 rallied to 17/14.

Malayan Tin had local exchanges at 13/9 and 13/7½. London supplied Pengkalen Ords. 17/1½ and Meru Tin at 9d.

There was no falling off in interest in Rubber shares and this section continues to contribute a fair share of the total volume of business. With the fading away of the sale of estate rumours, Ayer Pans were dull at \$1.47½ cum 7½ and Tapah fell off to \$2.80. In the latter case, however, the rumour is not dead but merely scotched and at the close there were buyers at \$2.82½. Kempas ex the 20% final but cum the one for two issue climbed to \$2.07½. Kundong jumped to \$3 and New Serendah had exchanges at \$1.95. At last there is Court confirmation of the Scottish Malayan return of 1/-. They will be quoted ex on November 15th and the distribution will be made on 21st November.

There was increased local loan turnover, all within quotations.

## HONGKONG AND FAR EASTERN TRADE REPORTS

November 11—17, 1956

During the first half of this month there was a lull in HK's trade with Europe and UK when the Suez Canal was blocked and the Middle East situation was on the point of breaking into a major war. Commodity prices here were edging up and dealers began hoarding spot goods and booking more textiles, electric appliances, metals, paper, industrial chemicals, machinery and tools, plastic moulding compound and other raw materials from US and Canada as well as wheat flour, frozen meat and dairy products from Australia. However, after the Suez issue was submitted to the United Nations and the UN police force dispatched to Egypt, the panicky booking of supplies at prices much higher than local market levels was checked. Cost of European and UK goods, even after the increase of 15% surcharge in freight, is still cheaper than imports from US and Canada particularly after the US and Canadian dollars have advanced. It would be ideal if Japan could supply all local requirements because of her geographic proximity to HK but dealers here found that incidents from Japan had gone up considerably during the fortnight and that Japan was unable to meet the demand from here on short notice on account of her previous commitments with other buyers.

Importers here and their connections in Europe and UK are now negotiating the settlement of outstanding orders and the resumption of regular trade; L/Cs are being extended and increased in amount to cover extra charges and the longer shipment time while new cif quotations are being worked out to include the shipping surcharge. Commodity prices will advance but Xmas goods which arrived before the Suez blockade are not affected. Some importers are worried because the prolonged complete cessation of traffic through the Canal would probably mean a doubling of the surcharge. It is estimated that an increase of 30% in the tonnage engaged on routes to and from ports west of Suez will be required if normal services are to be maintained by the Cape route. The need for increased tonnage can be met from the laid-up American fleet or merchant ships; there are some 1,792 'Liberty' and 'Victory' ships totalling 18.35 million tons. Sufficient number of these ships can be refitted within a month to make good the need.

In exports, Korea showed a tendency of buying more Japanese paper from here because supply from US and Europe was limited but this development is not encouraging because Seoul importers were also buying more paper and other supplies direct from Japan.

SE Asia sent here more enquiries for various European, Japanese and Chinese goods but the improvement was not very impressive and the volume of business restricted by advanced prices here. Japan's demand for steels and China produce stimulated these items on the local market but buying offers were low because Japan was obtaining supplies mainly from China and Europe. Trade with China remained unaffected.

Demand for HK products from UK, US, Europe and SE Asia has not been affected by the fighting in the Middle East because the increase in freight and in cost of raw materials affects other countries too and therefore does not handicap HK manufacturers. There were exaggerated reports that the Middle East trouble had resulted in HK industries losing about \$10 million worth of orders during the fortnight. Exports of HK products to the Middle and Near East countries during the first six months this year totalled only \$6 million making up only about 1.5% of the total export of HK products during the period which amounted to \$405.4 million. On the contrary, exports to US and Canada of products made from raw materials obtained from SE Asia (e.g. rattan, camphorwood and teakwood) are bringing more profit to local manufacturers and exporters because the rates for US and Canadian dollars have advanced considerably during the fortnight.

The local real estate market was practically unaffected by the Suez crisis. An old building on Connaught Road Central with an area of 1,500 square feet was still quoted at its 'pre-Suez' price of \$420,000 while a piece of land of 1,000 square feet on Castle Peak Road was offered at \$115 per square foot against buyers' counter offer of \$105. This trend is expected to continue because overseas Chinese still consider HK as the safest place to invest their money, mostly in real estate.

**China Trade:** Peking reported that several million pounds sterling worth of contracts were concluded last week in Canton between Chinese officials at the Exhibition there and businessmen from HK, UK, India, Indonesia, Burma, Malaya, Singapore, Japan and West Germany. Goods sold at the exhibition included cotton piece goods, woodoil, rosin, radio sets, torch, straw hats, coal and minerals. One British businessman commented on returning to HK that as the Chinese population was increasing at the rate of about 10 million a year, China would have to curtail home consumption to make exports available. A businessman from Brad-



ford pointed out that China's production of textiles was insufficient for her home consumption. Peking People's Daily also reported the shortage of machine-made paper although output had increased five-fold in the past seven years. Local businessmen who went to Canton failed to buy any beans and oil seeds from authorities there. Meanwhile, China shipped here 1,000 tons of coal and substantial quantities of foodstuff, drawn lace work, silk piece goods, vegetables and sundry provisions. Consignments of paper, cement, and chemicals were restricted to small quantities. In the local market, China circulated more enquiries than orders for metals; transactions were handicapped by low buying offers.

**Japan Trade:** Indents for Japanese steel products and paper advanced considerably during the week discouraging dealers here from making heavy bookings particularly when shipment dates were remote. Orders from Tokyo were chiefly for scrap iron and China produce; however, these purchases constituted only a small portion of Japan's imports of these items from various sources (5,000 tons of scrap iron from India and 9,000 tons of heavy grain and soya bean from US were awaiting shipments to Japan). Cargo movements between HK and Japan remained active but imports of cement slowed down (3,000 tons of Japanese cement were shipped direct from Japan to Saigon). A sample fair of Japanese woollen textiles is being held at the Gloucester Hotel. It is sponsored by Japanese woollen textile manufacturers.

**UK and Europe:** Trade with UK and Europe was revived after the situation in the Middle East came under the control of UN. New indents were marked up but still cheaper than supplies from US. Large quantities of metals and other supplies reached here from Europe and UK while consignments of HK products left here on schedule.

**Trade with US:** American goods in the local market were all pegged up following the advance of the US dollar rates. Booking of new indents from US increased during the fortnight but the rush was short-lived because the Middle East situation did not further deteriorate. Exports of HK products and foodstuff to US totalled 1,500 tons last week. HK fresh frozen and canned pond fish and oysters can now be shipped to US if covered by comprehensive certificates of origin.

**Trade with Canada:** Local dealers booked more plastic moulding powder, wheat flour, wheat and pharmaceuticals from Canada. Prices were higher on account of the repeated increases in Canadian dollar rates. A consignment of 4,000 cases of walnut meat from China was transhipped to Canada. Ex-

ports of HK products to Canada totalled about 200 tons consisting chiefly of rattan furniture, camphorwood chests, and cotton textiles.

**South America:** About 500 tons of HK manufactured enamelware, plastic goods, cotton textiles, rattan furniture and firecrackers were shipped to South America.

**Indonesia Trade:** Cargo movements between HK and Indonesia were improving. In addition to her purchases of HK cotton yarn and cloth under the US cotton for HK textiles agreement, Djakarta allocated foreign exchange for more textiles of HK, Japan and other origins. There were also enquiries for milk powder, wheat flour, structural steels, enamelware, 'rain coat, zip fastener, hurricane lantern, rayon and fibre yarn; however, many transactions were handicapped by increased prices in the local market.

**Thailand Trade:** Demand from Thailand for metals and paper was very strong but purchases of paper were restricted by the suspension of US dollar allocations in Bangkok for this import. Enquiries from Bangkok also covered wheat flour, metalware, cotton textiles and chinaware. Imports of Thai rice, live cattle, groundnut, peas, feather, and timber remained heavy and enabled Bangkok to purchase more HK manufactures and goods of Chinese, Japanese and European origins from here besides orders financed with US aid funds.

**Korea Trade:** Trade with Korea failed to improve and limited to orders from Seoul for small quantities of paper, metals, industrial chemicals and pharmaceuticals. Seoul was buying more paper, rayon yarn and other supplies direct from Japan.

**Taiwan Trade:** Japan enquired for another 50,000 tons of Formosan rice in addition to the 100,000 tons recently ordered from Taiwan (10,000 tons have been shipped and at least 50,000 tons more will be delivered before end of December). Japan also bought 250,000 tons of Taiwan sugar; the first shipment of 65,000 tons will be delivered before year-end. About 400 tons of tea, fresh ginger, citronella oil, garlic, sugar and straw board reached here from Taiwan last week. In return, HK sent about 500 tons of pharmaceuticals, chemicals, dyestuff and herb medicines to Keelung.

**Malaya & Singapore:** Cargo movements between HK and Malayan ports remained very active. Malaya's revised tariff for imports will affect purchases from here because duties have been increased by about 5%/10%. However, the effects will not be too serious because the new rates are not restricted only to imports from HK.

**The Philippines:** HK-Philippines trade remained dull. There was no indication of any possible improvement in the near future. Manila is procuring American goods direct from US and prohibiting imports of Chinese staples and foodstuff from here.

**Cambodia, Laos, South and North Vietnam:** Cambodia kept up a steady supply of live cattle, scrap iron, maize and other staples to the local market and in return bought considerable quantities of wheat flour, canned milk, enamelware, aluminumware, vacuum flask, plastic goods and other HK manufactures. There were, however, more enquiries than orders from Phnompenh last week; transactions were curtailed by high commodity prices here. Direct trading with Laos slowed down because Vientiane was procuring supplies from Cambodia. South Vietnam continued to ship large quantities of scrap iron, maize and other staples to HK but purchases from here slowed down on account of the restrictions imposed by authorities there on Chinese importers in South Vietnam. North Vietnam shipped here limited quantities of woodoil, beans, tea, maize, ginger, sundry provisions and other staples.

**India & Pakistan:** India curtailed shipments of cotton and yarn to the local market on account of her strong domestic demand. From here, India bought more cassia lignea and broken cassia. Pakistan shipped 1,000 bales of cotton and large quantities of cotton yarn to HK at increased prices after the local market had been stimulated by demand from Indonesia and other SE Asian countries.

**Burma Trade:** Trade with Burma continued to improve with more orders from Rangoon for toilet articles, wheat flour, paper, glass, old newspaper and rubber footwear. Rangoon enquired for more cotton yarn after the recent purchase of 5,000 bales from here. Burmese rice enjoyed very steady demand in HK.

**North Borneo:** Corrugated galvanized iron sheet, and structural steels were among items purchased by North Borneo. Imports totalled 6,000 tons last week including 500 tons scrap iron and 4,500 tons timber.

**Australia:** Over 1,000 tons of frozen meat, wheat flour, dairy products reached here from Australia last week. Exports of woodoil, vacuum flask, rattan ware, cotton textile, camphor wood chest and plastic goods to Australia totalled about 1,000 tons.

**China Produce:** Dealers who went to Canton failed to get beans and oilseeds from the Commodity Exhibition there. Local market therefore depended entirely upon imports from SE Asia.



to meet the demand from Japan; the limited supply restricted the volume of trade. Japan also bought woodoil, aniseed oil and cassia oil. Demand from Europe covered cassia oil, hog casing, feather, spun silk yarn and bamboo cane; most transactions were still under negotiation towards week-end. Cassia oil attracted orders from Canada too; price advanced when supply dwindled. A large consignment of maize reached here from South Vietnam but the local market was not affected because it had been sold to Japan as forward. Groundnut oil registered normal local demand; prices were stimulated by advanced Chinese, Thai and African indents. Rosin and gypsum were favoured by Thailand; galangal firmed on orders from India and low stock; dried chilli retained strong demand from Singapore and Malaya; and garlic improved on marked-up Chinese indent. Prices of other popular items were steady.

**Metals:** Booking of metals from Europe, US, UK and Japan slowed down on account of the advanced indents and remote delivery dates. Many leading dealers here are now worrying about the outlet of metals because prices are too high. Large quantities are expected between December and February; the 10,000 tons which are scheduled to reach here have not yet been sold and about 30% are in speculators' hands. In the meantime, however, the market was buoyant and dealers as well as importers hoarded their stocks for better prices. Demand from Japan for bars was cut to only 100 tons of rounds but interest in scrap iron remained keen. China enquired for pipes, steel wire rope, box strapping, black plate, steel plate and cuttings but buying offers were too low in most cases to interest dealers here. The market also registered orders from North Borneo for structural steels, corrugated G.I. sheets; from Thailand for steel wire rope, round and angle bars; from Korea for angle bar and steel plate; and strong local demand for structural steels and factory items including black plate, G.I. sheet, round bar and steel plate cutting.

**Paper:** On account of Japan's heavy commitments with Korea, China and SE Asia, indent offers from Tokyo were marked up and delivery dates remote. Supply from China was cut to an insignificant quantity because her production was far below domestic consumption while her direct shipments to SE Asia increased with the growth of her political trade. In spite of these developments, demand from Korea and SE Asia for various kinds of paper was strong. Korea bought woodfree printing, transparent cellulose and aluminum foil; Thailand ordered newsprints, art printing, manifold, duplex board; Laos favoured woodfree printing and duplex board; and Burma enquired for straw board. Indications are that in spite

of the increased indents and remote shipment dates, dealers here will have to rely upon Europe and US for the major portion of paper supply. On the other hand, demand from Korea shows tendency of declining because Seoul is buying more paper direct from Japan. SE Asia is interested mainly in Chinese products and with the increased volume of China's direct trade with SE Asia, dealers here will eventually depend upon local demand and orders from Korea and SE Asia for American and European paper.

**Industrial Chemicals:** The market registered only selective demand from Korea for gum damar, sodium hydro-sulphite, copper sulphate and DNCB; from Taiwan for shellac; and from Cambodia for caustic soda and zinc oxide. Prices were firm on increased replenishment costs. Dealers therefore booked lithopone, caustic soda, sodium bicarbonate and zinc oxide from China at prices cheaper than indents from Europe.

**Pharmaceuticals:** The market was dull and registered only demand from Singapore for small quantities of quinine powder and tablets, brooklax and saridon; from Korea for aspirin powder; and from China for caffeine alkaloid. Speculators absorbed penicillin injections in oil when quotations were low. Prices in general were steady.

**Cotton Yarn and Piece Goods:** Strong demand from Indonesia and enquiries from Thailand and Africa brought a new boom to the local textile industry. There were more orders than local mills could handle! Djakarta allocated foreign exchange for textiles from here in addition to her purchases under the US cotton for HK textiles agreement; orders also covered Pakistan yarn, Chinese and Japanese piece goods.

**Rice:** The market was normal with steady local demand and regular imports from Thailand, China and other sources.

**Wheat Flour:** There were more enquiries than orders from Thailand, Cambodia, Burma and Indonesia for HK flour which was marked up on account of the increased replenishment cost of Canadian and US wheat. Trading was slow but quotations for US and Canadian brands advanced too because the rates for US and Canadian dollars were on the steady rise.

**Sugar:** Taiwan granulated was firm on marked-up indents and curtailed supply. Taikoo products retained strong demand from SE Asia and local consumers. Indonesia raw sugar was steady on dwindled stock.

**Cement:** Trading was limited to orders from local building contractors for Japanese and Green Island cement. Imports of cement from Japan and China during the week were at a low ebb.

**Sundry Provisions:** Mushroom retained strong demand from Singapore and Cambodia. Beanstick failed to improve on orders from Singapore because supply was abundant. Red dates and ginkgo declined too, under heavy supply. 4,000 cases of walnut meat from China were transhipped to Canada; no supply reached the local market.

**Sundries:** Woollen knitwear and other woollen goods enjoyed better local demand with the beginning of the cold weather. Prices for most sundry goods from Japan, Europe, UK and US were marked up on account of the increased replenishment costs. Toilet articles enjoyed strong demand from Burma.

**Window Glass:** Chinese window glass reached here in substantial quantities. Prices were firm on strong local demand and orders from Thailand, Indonesia, Burma and North Borneo.

**Hongkong Products:** Large orders for enamelware came from West Africa and Thailand. Government approved the sale of 38,000 HK-made steel helmets to Lebanon; a similar shipment to Egypt was not approved. HK plastic products retained strong demand from UK, Europe, US and SE Asia. Local cotton mills now have enough orders from UK, Indonesia, Thailand and other markets to keep their spindles and looms running till February next year. The 14th Exhibition of HK Products will be opened on November 29, 1956. HK will also participate in the 1st U.S. World Trade Fair to be held in New York next April.